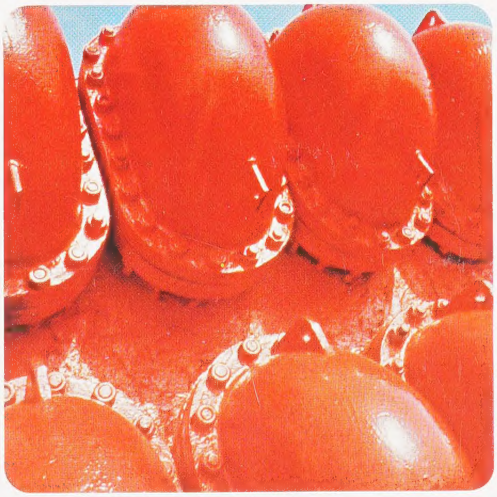
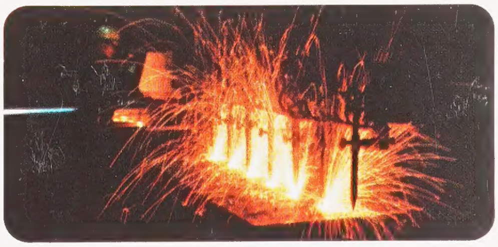
HUSKY OIL





Annual Report 1973

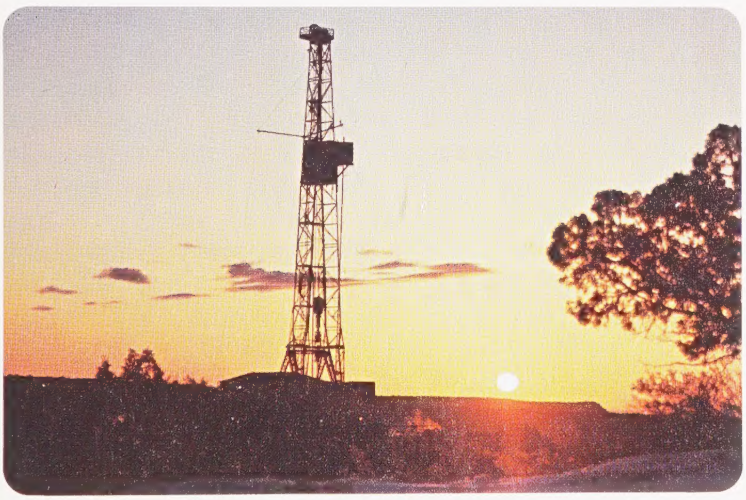
Year in brief

ANNUAL MEETING:

The Annual General Meeting of Shareholders of Husky Oil Ltd. will be held in the Hyatt Regency Hotel in Toronto, Ontario, on May 3, 1974. Formal notice of this meeting and proxy material are enclosed.

Highlights of operations

FINANCIAL	1973	1972 (Restated)
Gross operating revenues	$252,598,000	204,324,000
Cash flow from operations	49,155,000	33,820,000
Net earnings		
From operations	21,360,000	12,743,000
Extraordinary items — net	—	2,604,000
Total	21,360,000	15,347,000
Per common share		
Cash flow from operations	5.07	3.48
Net earnings		
From operations	2.17	1.27
Extraordinary items — net	—	0.27
Total	2.17	1.54
Growth expenditures	46,736,000	35,044,000
Working capital at end of year	36,359,000	29,232,000
Long term debt at end of year	$102,844,000	101,759,000
OPERATIONS		
Crude oil and equivalent gas production (barrels daily)	49,666	46,663
Refinery runs (barrels daily)	50,828	48,624
Refined product sales (barrels daily)	58,662	55,330
Number of sales outlets	1,270	1,488



To our shareholders

Tempo in Husky increased during 1973. Production, refining and marketing volumes were higher while steel operations again showed significant progress. Our operational improvements coupled with price increases, particularly as related to crude oil, resulted in significant overall financial improvement.

1973 earnings were $21.4 million or $2.17 per share after provision of $5.2 million for income taxes. This compares to $15.3 million equivalent to $1.54 per share, including extraordinary earnings of $2.6 million or 27 cents per share in 1972.

The year's earnings from oil operations amounted to 2.1 cents per gallon as compared to 1.3 cents per gallon in 1972. This profit realization is from investments in oil properties and refining and marketing investments of 30 cents per gallon sold, producing a rate of return of approximately seven per cent on these assets. Net earnings from all operations provided a 14 per cent return on equity. For the first time our return has reached the level experienced over the years by most other industries. The average return on equity to Husky over the five year period from 1968 to 1972 was eight per cent.

Cash flow reached a record high in 1973 and provided for expanded growth expenditures. Meanwhile, long term debt remains at a very manageable level and bank lines of credit are available for prompt access as new opportunities arise. The annual dividend was increased early this year to 30 cents effective with the next semi-annual payment.

The Company's progress in 1973 was within the framework of two previously established objectives. The first is that Husky has continued to operate on a fully integrated basis with well developed exploration, production, refining and marketing activities. Second, departmental volumes are essentially in balance in that crude oil production levels were approximately equal to refining throughput and marketing capacity.

In the United States an energy shortage, which had been foretold and was 20 years in the making, was suddenly recognized as an urgent problem by government, business and the consumer. During the year, the United States federal government moved to implement allocation regulations, price controls, conservation plans and many other programs to help alleviate the shortages. To date, the net effect of these moves has been to reduce consumption generally and, to a limited degree, to reduce shortages in some localities through redistribution from others.

Hearings have been held and investigations conducted in an attempt to "blame" the crisis on one or another segment of the economy. Sixty federal agencies and thirty committees of the United States congress are working on the problem. The result is an insurmountable coordination problem. Far too much of the effort is being devoted to the allocation and distribution of the shortages. Surely it is clear to everyone that there is only one actual solution — more supply. Progress towards that solution is presently being hampered by hastily formed and unstudied attitudes regarding price and profit controls as well as foreign tax credits, depletion allowances and other incentives necessary to an acceleration of the search for additional petroleum supplies.

In Canada, the federal government and the governments of the producing provinces are in a "tug of war" over the regulation of petroleum resources and the degree to which the government will share these proceeds with the industry. Saskatchewan passed legislation imposing new regulations regarding price, land tenure, and royalties on increased prices. Alberta created a marketing board to handle the sale of petroleum outside the province and established new royalty schedules for natural gas. The province has also indicated that new oil royalties, to be announced shortly, are to apply only to the incremental portion of higher oil prices.

At this time, however, the company sees less adverse effects in Canada than were initially indicated. We do not foresee any decrease in demand for our Canadian crude

production and our marketing and refining should continue to be a profitable and increasingly important segment of our Canadian operations.

Although profitability is the keystone of a high level of living standard in North America today, there is a trend of thinking in both the United States and Canada that the major oil companies' profits are too large. Those who hold to this line of thought visualize the earnings of these companies as being produced for a limited few or, somehow, lost to society. An objective analysis of shareholders would reveal that, for the most part, the ownership is in the hands of many individuals. This broad base of ownership is either through direct shareholdings, or indirectly through participation in pension plans, union welfare plans, insurance companies, schools, fraternal organizations and others.

The earnings of petroleum companies are reinvested in the economy, some through taxes and dividends, some for debt and interest, with the greatest portion by far being reinvested in new plants, equipment and in the search for and development of reserves to replace those that are presently being produced.

Those who would propose some form of nationalization need only look at the activities currently being operated by the governments of both countries to realize the consumer is receiving less service at higher cost than under the private enterprise, profit motivated system.

Political leaders in both countries must act now to provide an environment conducive to investment risk taking needed in order to stimulate the development of new sources of petroleum. The industry's capital requirements for the next twenty years are enormous. Because generation of only a portion is possible through earnings, the search for additional capital will be one of the greatest challenges to industry in this decade and beyond. Success depends on the political leaders in Canada and the United States who must be willing, after careful consideration of factual evidence, to make "the hard decisions" that may not seem popular at the time.

Husky's management believes that an immediate responsibility of the petroleum industry is the elimination of the "Credibility Gap" that has come about during the shortage. If we are successful in this, the industry will remain healthy, operating in the absence of unduly restrictive political intervention.

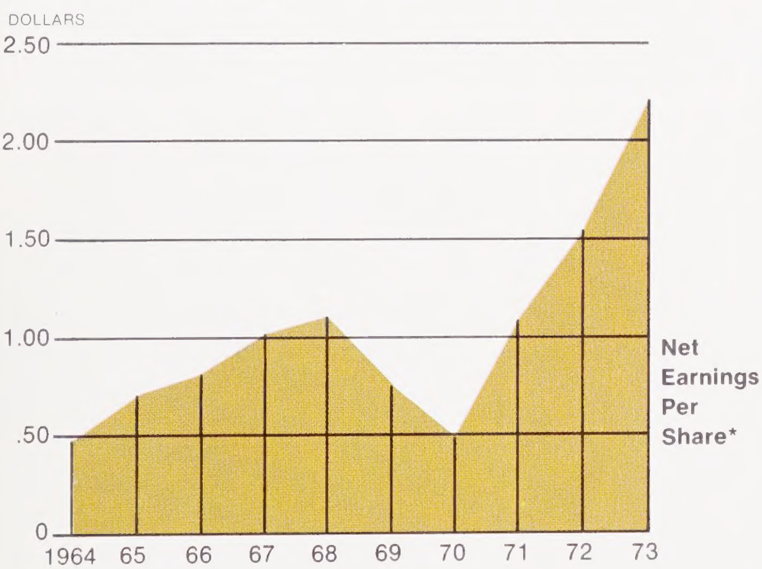
Within a healthy industry, Husky is prepared for growth and challenges and has developed the capability, in both material and human resources, to turn its opportunities to the best advantage.

The financial results in 1973 conformed to trends we reported last year and we believe these trends may well continue through the coming year. Still, 1974 is being assessed with some caution until the form of implementation of various government plans is more clearly defined.

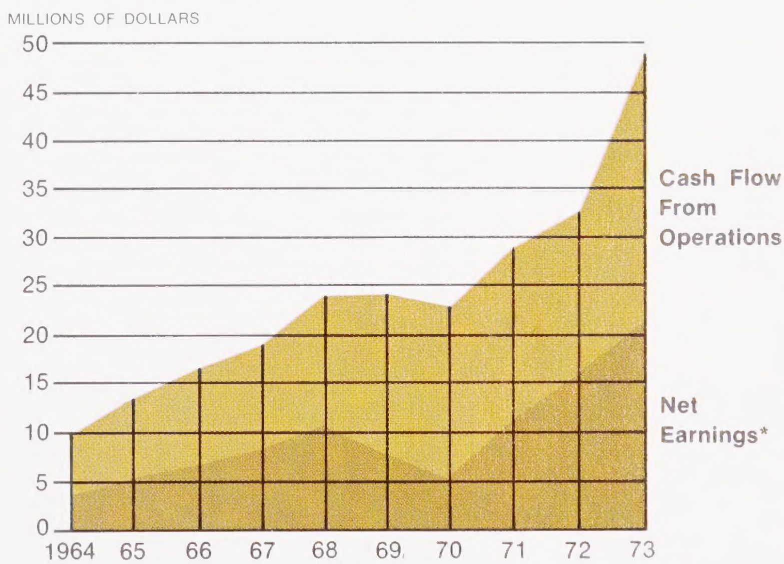
GLENN E. NIELSON, Chairman of the Board

JAMES E. NIELSON, President

FINANCIAL SUMMARY



FINANCIAL SUMMARY



*Earnings from operations including extraordinary items.

REVIEW OF OPERATIONS

Husky's international activity intensified in 1973 as the international division investigated possible participation in oil plays with several western European and southeast Asian countries and concluded negotiations with the government of the Philippines. In September the company acquired a concession involving a 33 per cent participation in 3.2 million acres offshore the east and west sides of Palawan Island.

Other negotiations led to the signing of a second concession agreement in the Philippines giving Husky a 100 per cent working interest in a block covering almost three quarters of a million acres in the Sulu Sea. The company is prepared to drill in this area and is presently attempting to acquire a suitable drilling rig.

To improve coordination of our overseas exploration, the international division has established its headquarters in Houston, Texas.

Husky has approximately 150,000 net acres in a North Sea exposure of 1.2 million gross acres with blocks located in the United Kingdom, German and Dutch sectors. The company was prepared to drill on petroleum licenses in the United Kingdom sector during 1973. A drilling rig contracted for the purpose, however, was delayed in construction and is not as yet available. We are now investigating the availability of other rigs for both the United Kingdom and German waters for use prior to completion of our contracted rig. After assessment of geological and geophysical work done to date, the company presently anticipates participation in the drilling of eight to ten exploratory wells in the North Sea.

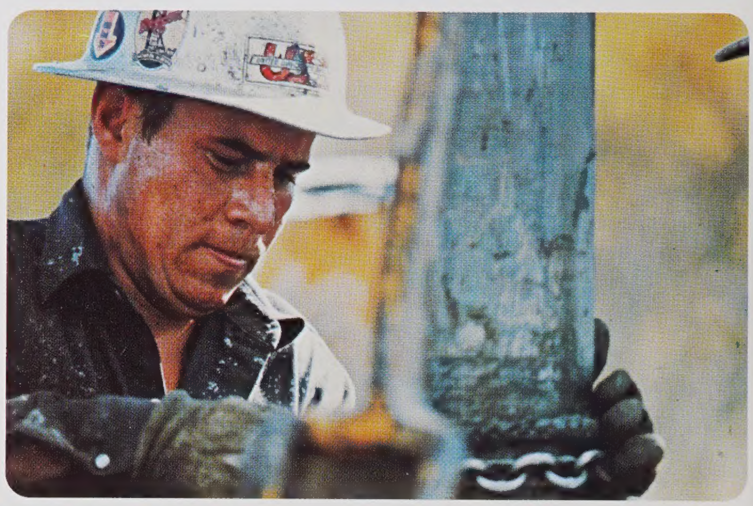
Other off shore holdings include two blocks off the coast of Sicily in the Mediterranean Sea.

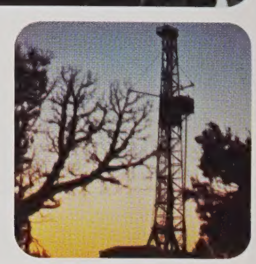
North American

North American exploration holdings cover more than 16 million gross acres. Of these, 5.3 million are net to Husky.

In the area of the Quirk Creek gas field of the southwestern Alberta foothills, natural gas was discovered 2,000 feet below the currently producing zone. At year end, the discovery well had been completed and, to further assess the area, a series of wells is planned. In December a second well scheduled for a deeper zone was prevented by

Exploration





mechanical difficulties from reaching its objective depth and a third well is presently drilling.

Evaluation of Husky's 50,000 acre Athabasca Tar Sands block near Fort McMurray, Alberta, which included a twelve well stratigraphic program last year, is continuing with 35 stratigraphic tests scheduled for the 1973-74 winter drilling season. The overall drilling program is designed to define the extent of the deposit and to determine the depth of the overburden. The company has now completed a stratigraphic test on virtually every section of these holdings to ascertain the extent of those areas which may be mined, as compared to areas requiring in situ techniques.

At Lloydminster, 28 wells and ten stratigraphic tests comprised the 1973 portion of a continuing exploration program. Results were three oil wells and seven indicated producers which are to be production tested in 1974.

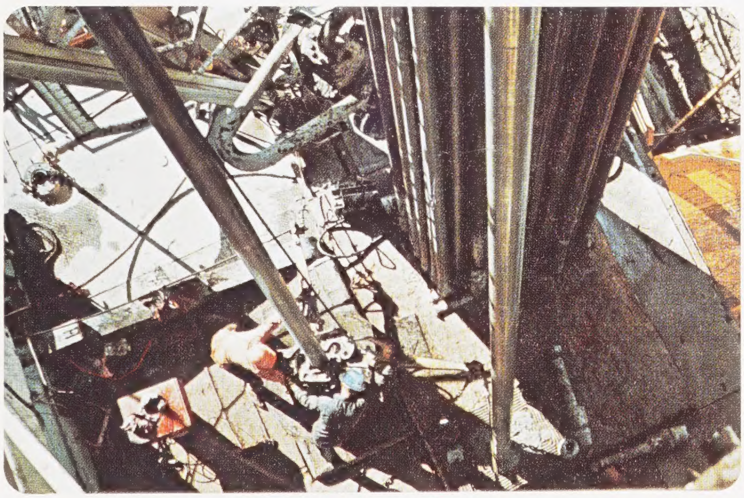
The company has in excess of one million net acres in several blocks off Canada's east coast extending from the northern tip of Labrador southward on the east side of Newfoundland to Cape Breton. It is expected drilling will commence on the Cape Breton block during the summer of this year.

In the United States, the second phase of a farmout arrangement to another company, involving the drilling of gas wells free to Husky's interest in the Wattenberg Field near Denver, Colorado, was completed during the year. Forty of the forty-one wells drilled since the beginning of the project are low volume, long life gas wells that will be tied into a gathering system. Husky and its partners have the option of converting a royalty interest in these wells to a 75 per cent working interest. The group has substantial remaining acreage in the area on which exploration programs will be continued in 1974.

Acreage positions in the Green River Basin area of southwestern Wyoming have been increased with the drilling of a 13,000 foot test in 1973 which earned a 70 per cent working interest in 75,000 acres in the northern sector. Over the year, nine farmout wells were drilled to shallow depth in this area in addition to two wells in which Husky participated. Two deep tests are budgeted for 1974.

In a continuing program, further evaluation of Husky's acreage positions was gained in the year as farmouts and other arrangements resulted in the drilling of 113 other wells in which Husky had no direct working interest. Activities included wildcat operations in Utah, Colorado, New Mexico, Kansas and in the Powder River Basin of Wyoming. The company also participated in exploratory tests in New Mexico, Indiana, Colorado, and Nebraska.

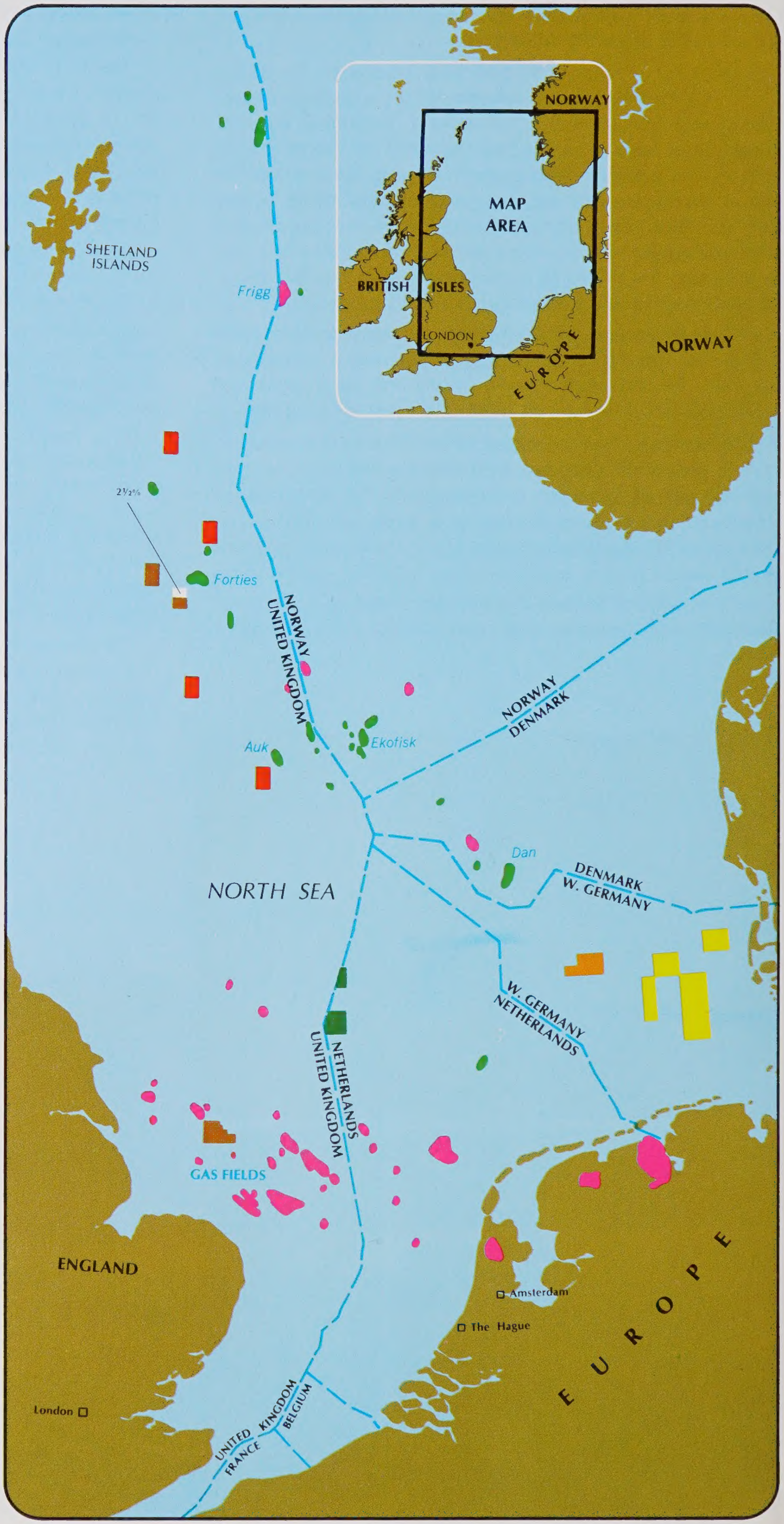
1973 was another year of active exploration for Husky as the company participated in a total of 60 gross exploratory wells (40 net). Completions included one gas well in British Columbia, three gas wells in Alberta, and five gas and five oil wells in Saskatchewan.



NORTH SEA ACREAGE INTEREST

- United Kingdom Sector 10%
- United Kingdom Sector 5%
- West German Sector 12.5%
- West German Sector 15%
- Netherlands Sector 15%

OIL FIELDS GAS FIELDS



PHILIPPINES ACREAGE INTEREST

3,206,135 acres — 33 1/3%

685,305 acres — 100%

OIL FIELDS GAS FIELDS

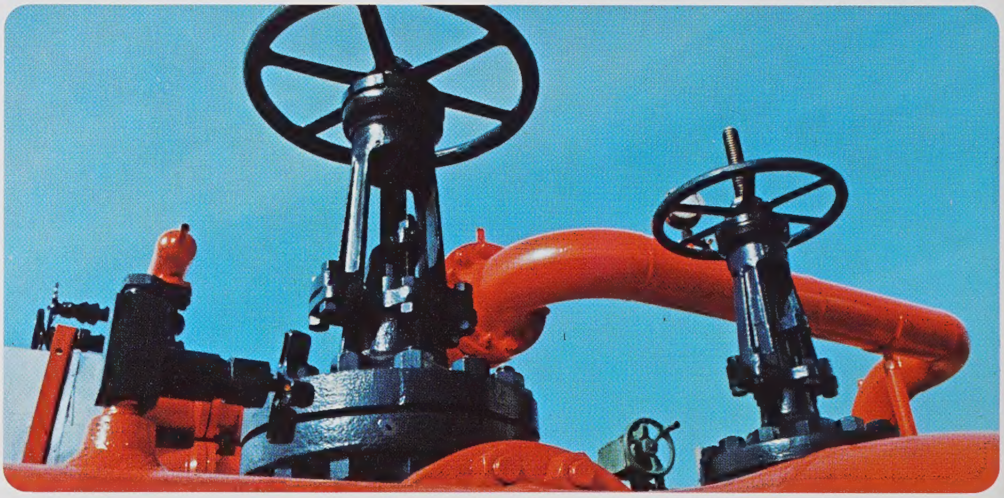
Crude oil and natural gas production reached a record 49,700 barrels a day, an improvement of 3,000 barrels a day over 1972. Some 2,000 barrels a day of the total increase came from Lloydminster and the remainder of the increase was mainly due to successful operation of waterflood secondary recovery programs in the Rocky Mountain area of the United States although there were some increases in other Canadian fields.

At Lloydminster, the reserves of heavy crude oil occur in many separate formations and are contained in reservoirs of varying size. At the crude oil prices available prior to 1973, production of the thinner formations was uneconomic or, in some cases, marginal. As crude prices increased in the course of 1973, development of the thinner formations became economic. As a result, additional drilling sites have been added to the backlog of locations for future drilling the company has consistently maintained in the area. With the higher prices, our Lloydminster drilling program was expanded during the latter half of 1973, and 136 development wells were drilled by year-end. Of these, 116 are producing wells and 15 others, not fully completed at year-end, are probable producers.

Programs to increase recovery through injection of water in 1973 continued to provide significant improvement to production volumes. The experimental in situ combustion techniques going forward over some 600 acres at Aberfeldy, Saskatchewan, and at Golden Lake where the project is being expanded, are similarly showing encouraging results. Often referred to as "Fireflood", Husky's in situ combustion technique is basically the ignition and controlled burning of a portion of the oil below the surface to stimulate the movement of more oil toward the producing well bores.

Crude prices in effect in December of 1973 provide economic justification for continuation of conventional production programs at Lloydminster. Added benefits from future price increases to the producer over a period of time could encourage greater production increases. The extent of the 1974 drilling program will be influenced by government wellhead price provisions which have not yet been specified

Production



in adequate detail. In the Lloydminster area, over the years, initial well production has shown consistent significant improvement while the company has been increasingly successful in recovering the heavier gravity oils.

Western Canadian crude oil prices paid to the producers were increased by 25 cents per barrel in May and by an additional 40 cents per barrel in August for an aggregate price increase of 65 cents per barrel effective over the latter months of the year. Although prices were voluntarily frozen in the latter part of 1973, further increases in crude prices are expected in 1974. The degree to which producers may benefit from these price increases will depend on the effects of incentives — still to be defined — in recent Saskatchewan government legislation and on the new royalty schedules applicable only to price increases to be introduced in Alberta.

International oil prices had surpassed Canadian prices when the voluntary price freeze was inaugurated in Canada and the federal government instituted a tax equivalent to the differential on exported crude. The export tax is now $6.40 a barrel, effectively creating a two-tier price system for Canadian crude oil.

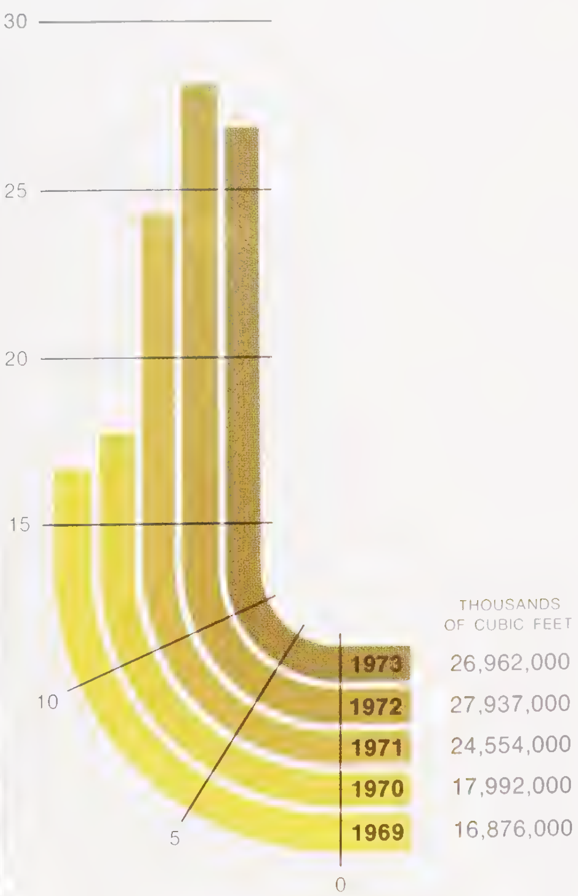
In the United States, crude oil price increases occurred over the year more frequently and to a higher level. With some variation in different fields, prices for "new" and "stripper" oil rose to as much as $10.00 per barrel. Old oil prices increased during the year to a government imposed price ceiling averaging about $5.35 per barrel. These increases occurred, in major part, late in 1973 and will have effect primarily on 1974 operations.

Prices of most of Husky's Canadian natural gas increased during 1973 and further increases have been agreed to, or are under negotiation, in 1974. Although the price increases negotiated in 1973 in respect of Husky are upward to the extent of fifty to sixty per cent, the Alberta government has indicated its desire that the price of natural gas should continue to increase beyond that level until it reaches a utility value equivalent to competing fuels. On this subject of utility value of natural gas, the Canadian federal government seems to be in agreement with Alberta.

The average price for natural gas in Alberta is presently less than 25 cents per thousand cubic feet. Most of our Canadian gas is subject to price renegotiation in 1974.

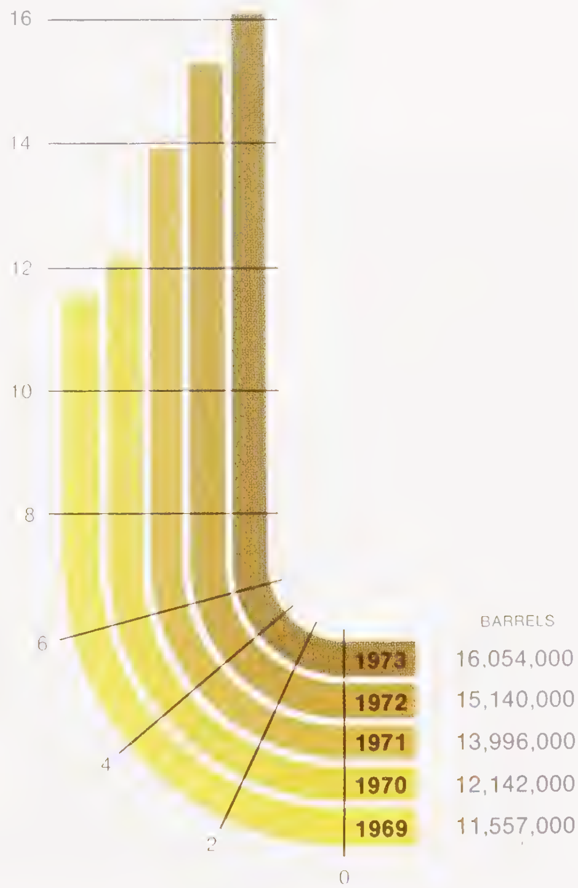
NET PRODUCTION NATURAL GAS

MILLIONS OF MCF



NET PRODUCTION CRUDE OIL AND GAS LIQUIDS

MILLIONS OF BARRELS



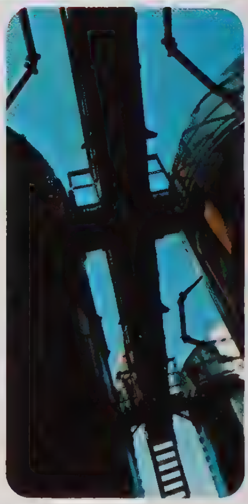
Negotiations already completed on part of this gas resulted in price increases greater than those received in 1973. Application of recent newly published Alberta Government Royalty Regulations to "old", or currently producing, gas indicates that more than fifty per cent of price increases will be received by the companies until the price reaches 72 cents per thousand cubic feet. Above that level the company portion of the total price will decrease. "New" gas will have lower royalty rates. The major portion of Husky's Canadian natural gas is produced in Alberta.

In 1973, Husky acquired the interest of an oil company in 13 existing wells together with exploration acreage in the Altamont, Bluebell and Cedar Rim Fields in the Uinta Basin area of eastern Utah.

Husky's production activity for the year resulted in participation in a total of 180 gross development wells. Of these, 174 were in Canada and the remaining 6 in the United States. More than two-thirds of the wells were drilled in the Lloydminster area.

NET OIL AND EQUIVALENT NATURAL GAS PRODUCTION

	THOUSANDS OF BARRELS	
	1973	1972
Canada		
Alberta	4,358	4,332
Lloydminster	7,696	6,949
Saskatchewan	1,168	1,140
Total Canada	13,222	12,421
United States		
Colorado	514	374
Montana	187	163
New Mexico	780	691
Texas	508	438
Wyoming	2,597	2,675
Other areas	320	270
Total U.S.A.	4,906	4,611
TOTAL	18,128	17,032



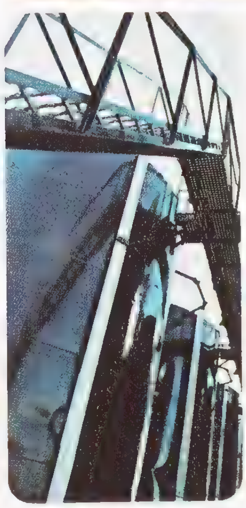
NET OIL AND GAS PRODUCTION

	Oil and Gas Liquids (THOUSANDS OF BARRELS)		Natural Gas (MILLIONS OF CUBIC FEET)	
	1973	1972	1973	1972
Canada				
Alberta	3,173	3,110	15,655	17,109
Lloydminster	7,575	6,860	1,557	1,249
Saskatchewan	1,038	1,047	1,467	1,296
Total Canada	11,786	11,017	18,679	19,654
United States				
Colorado	510	371	39	45
Montana	187	163		
New Mexico	455	455	4,207	4,011
Texas	400	379	1,372	1,006
Wyoming	2,411	2,512	2,409	2,769
Other areas	305	243	256	452
Total U.S.A.	4,268	4,123	8,283	8,283
TOTAL	16,054	15,140	26,962	27,937

SUMMARY OF WELLS DRILLED IN 1973

	Gross Wells			
	Oil	Gas	Dry	Total
Exploratory Drilling	5	9	46	60
Development Drilling	175	–	5	180
Total Drilling	180	9	51	240

	Net Wells			
	Oil	Gas	Dry	Total
Exploratory Drilling	5.0	5.9	29.2	40.1
Development Drilling	117.0	–	2.0	119.0
Total Drilling	122.0	5.9	31.2	159.1

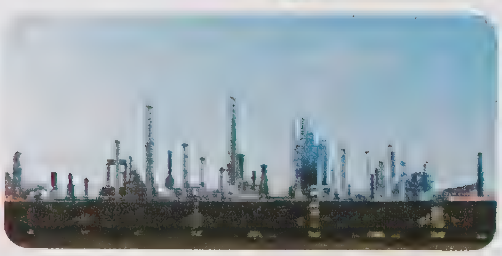


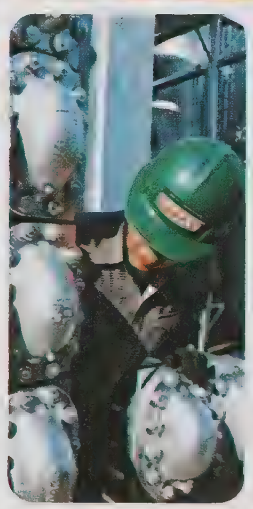
Husky has four refineries. The three located in the United States are at Cody and Cheyenne, Wyoming and at Salt Lake City, Utah. The company's Canadian refinery is located in Lloydminster, Alberta.

Refining throughput increased this year to 50,800 barrels a day, up from 48,600 barrels a day in 1972. Refined product sales, also improved over 1972, were 58,700 barrels a day versus 55,300 barrels a day last year. Light oil sales volumes were slightly ahead of 1972 at 37,400 barrels a day while heavy oil sales of 21,300 barrels a day were 12 per cent higher than last year's volumes.

After conversion of facilities early in 1973, the Salt Lake refinery began to refine wax type crude oil from oilfields in the nearby Uinta Basin. The refinery now produces a low sulphur, high quality fuel oil along with its other products. We plan to continue operation on the basis of 100 per cent wax type crude feedstock. Additionally, a program was begun last fall to increase crude oil input capacity to 25,000 barrels a day from 12,000 barrels a day and to achieve a low-lead, no-lead capability. The project is planned for completion in April 1974.

Refining and Marketing

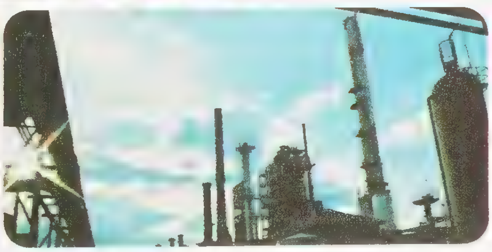


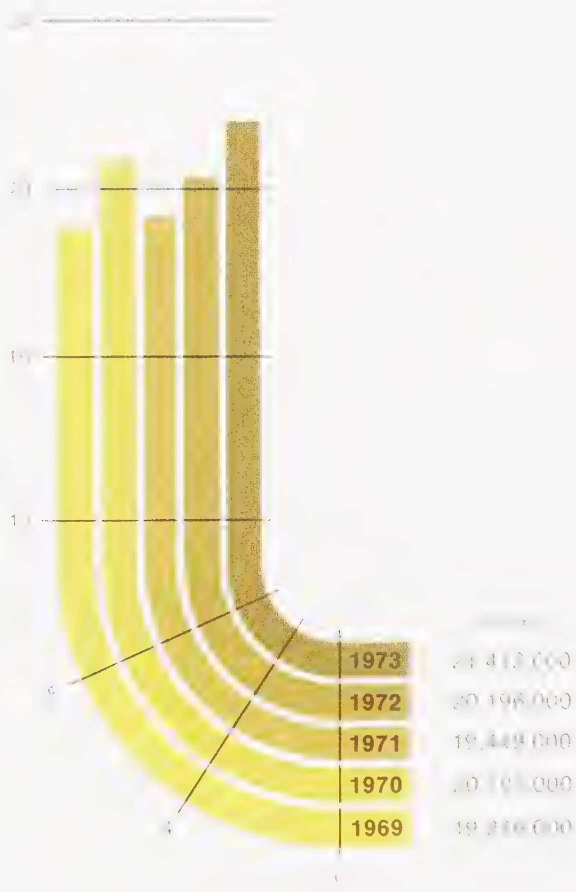


A program to modernize the Cody refinery was also begun in late 1973. Upon completion, scheduled for May 1974, this refinery will also be capable of production of low-lead and no-lead gasoline. At the Cheyenne refinery, reconditioning of a crude unit, completed in late October, increased plant capacity by 5,000 barrels a day. In 1974 capacity at the Cheyenne plant will be approximately 25,000 barrels a day.

Improvement of pollution control was a continuing priority at all refineries in 1973 and further upgrading is planned for 1974. When all current programs are completed, Husky will have spent a total of $18.7 million on improvements at the three United States refineries during the last two years.

The international and United States crude imbalance of 1973 was reflected in the fourth quarter in tightened supply to refineries and sharp crude oil price escalations. In December, United States federal government intervention took the form of mandatory allocation of crude oil supplies, allocation of products and control of refining input volumes and refined product ratios. These measures, with which Husky has fully complied, are expected to continue into





some portion of 1974. A designated goal for 1974 is the acquisition, through greater exploration, purchase or possibly merger, of additional crude supplies for the United States refineries including foreign crude that could be exchanged for domestic supplies.

Marketing developments in recent years in Husky have centered on the extension of the Car/truck stop program. This program is a system of high gallonage, full facility outlets at prime locations following the interstate highways in the United States and along the TransCanada Highway in Canada. Car/truck stops offer gasoline, diesel fuel, accessories, repair and maintenance service, sanitary off-loading for recreation vehicles and house trailers, propane and water among other products and services, and are equipped to meet a complete range of motoring, recreation and commercial customer needs. The modern Husky-House Restaurants, operated in conjunction with Car/truck stops, have achieved a high level of customer acceptance.

Because of mandatory product allocations, no new stations are planned for the United States in 1974. The company's major marketing thrust will be towards a remodeling and rebuilding program to improve and to upgrade older marketing locations. New construction, emphasizing Car/truck stops, will be directed primarily to the Canadian market where there is no product shortage.

REFINERY RUNS

	THOUSANDS OF BARRELS	
	1973	**1972**
Refinery:		
Cheyenne, Wyoming	7,652	6,949
Cody, Wyoming	4,231	4,034
Salt Lake City, Utah	3,706	4,098
Lloydminster, Alberta	2,963	2,667
	18,552	17,748

AREAS OF ACTIVITY

NET EXPLORATORY ACREAGE HOLDINGS AND RIGHTS

ON DECEMBER 31, 1973

Oil and Gas Properties

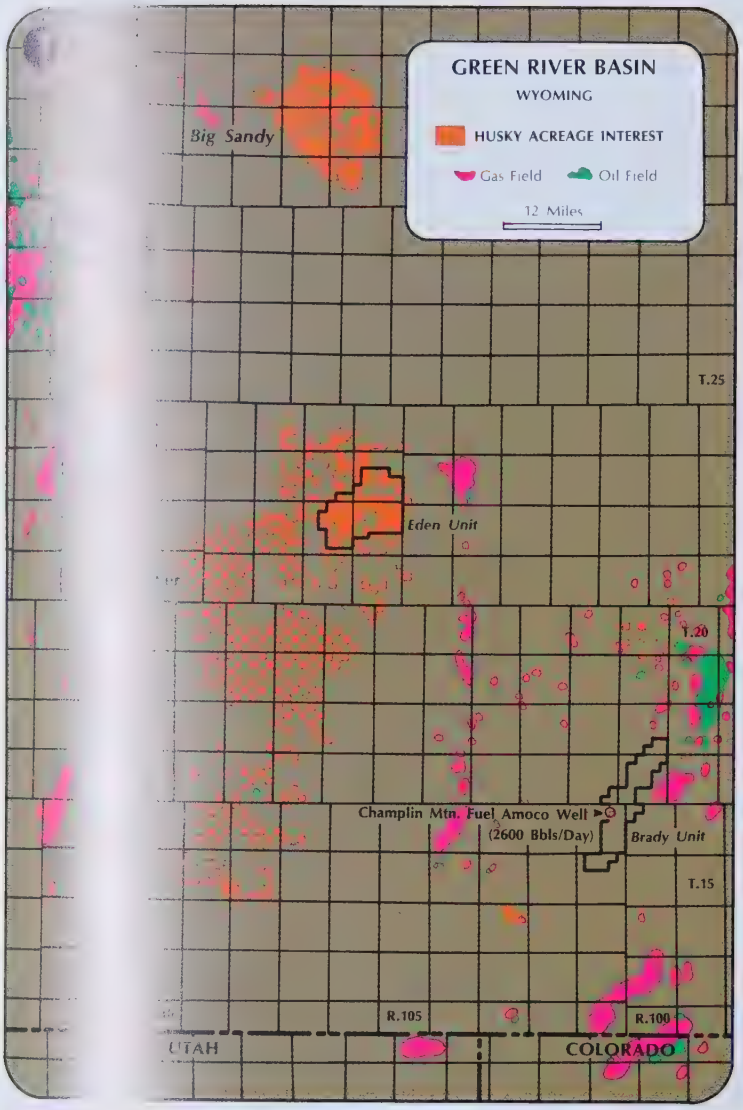
	THOUSANDS OF NET ACRES
Canada	
Alberta	866
Arctic Islands	130
British Columbia	93
Newfoundland	652
N.W.T. and Yukon	788
Nova Scotia	532
Ontario	61
Quebec	171
Saskatchewan	966
Total Canada	4,259
United States	
Alaska [1]	231
Rocky Mountain Areas	763
Southwestern States	37
Other Areas	21
Total U.S.A.	1,052
Foreign	
North Sea	147
Philippines	1,754
Other	48
Total Foreign	1,949

(1) 231,000 net acres are subject to issuance of leases.

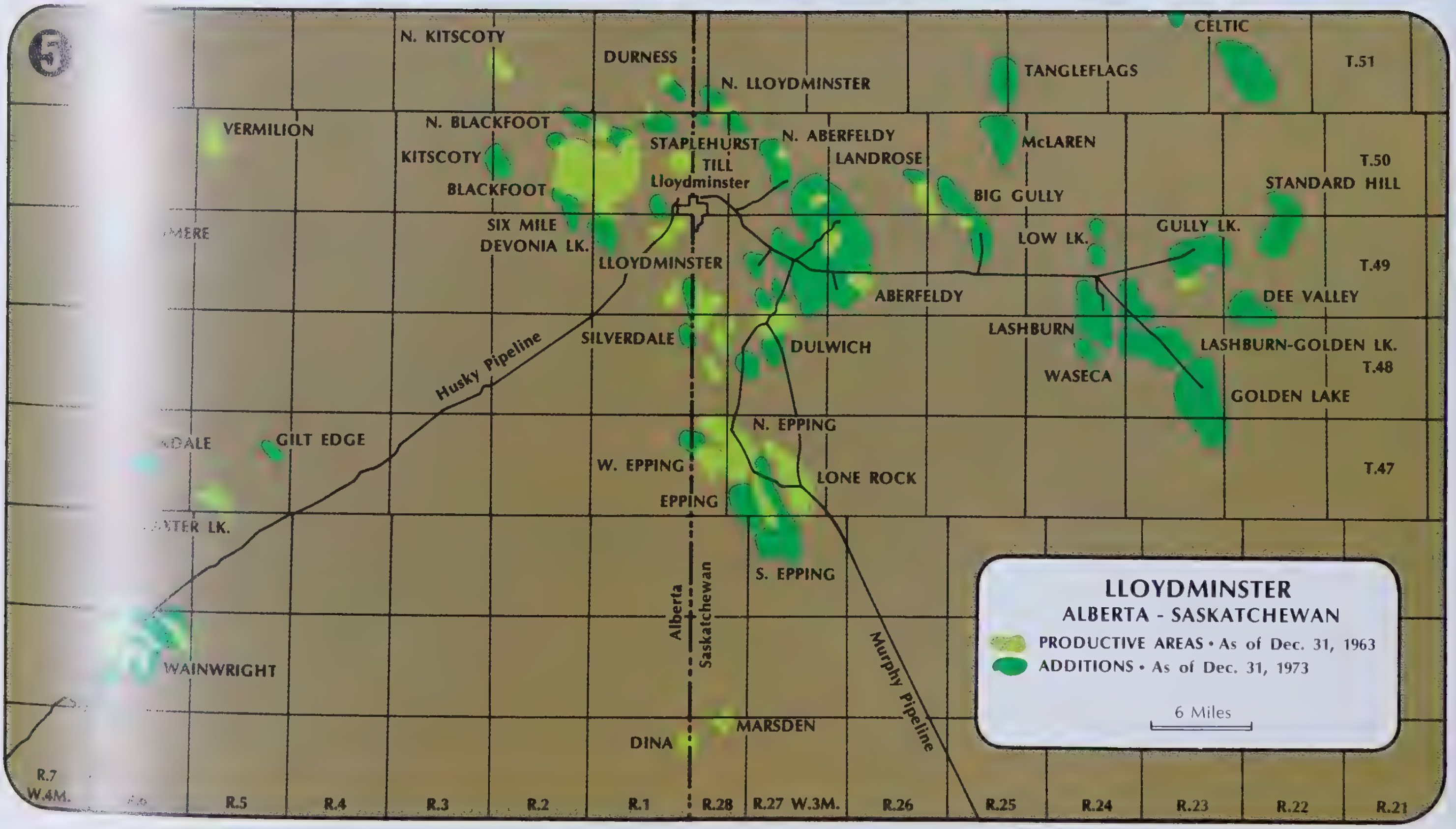
Mining Claims and Permits

	THOUSANDS OF NET ACRES
Canada	
N.W.T. and Yukon	5
Saskatchewan	27
Total Canada	32
Australia	
Northern Territory	179
Total Australia	179


HUSKY
AREAS OF ACTIVE OIL AND GAS EXPLORATION
MINING CLAIMS AND PERMITS
MARKETING AREA
REFINERIES
GATE CITY STEEL
HUSKY INDUSTRIES
AREAS ARE NOT SHOWN TO SCALE
GREENLAND
SOUTH AMERICA
AFRICA


GREEN RIVER BASIN
WYOMING
HUSKY ACREAGE INTEREST
Gas Field
Oil Field
12 Miles
Big Sandy
T.25
Eden Unit
T.20
Champlin Mtn. Fuel Amoco Well
(2600 Bbls/Day)
Brady Unit
T.15
R.105
R.100
UTAH
COLORADO


R.12 W.4
R.11
R.10
R.9
2
Athabasca River
SYNCRUDE
GT. CDN. OIL SANDS
Ft. McMurray
T.89
T.88
TEXACO
T.87
R.7
T.86
AMOCO
ATHABASCA
ALBERTA
HUSKY ACREAGE INTEREST
6 Miles
2
5
4
1
6
3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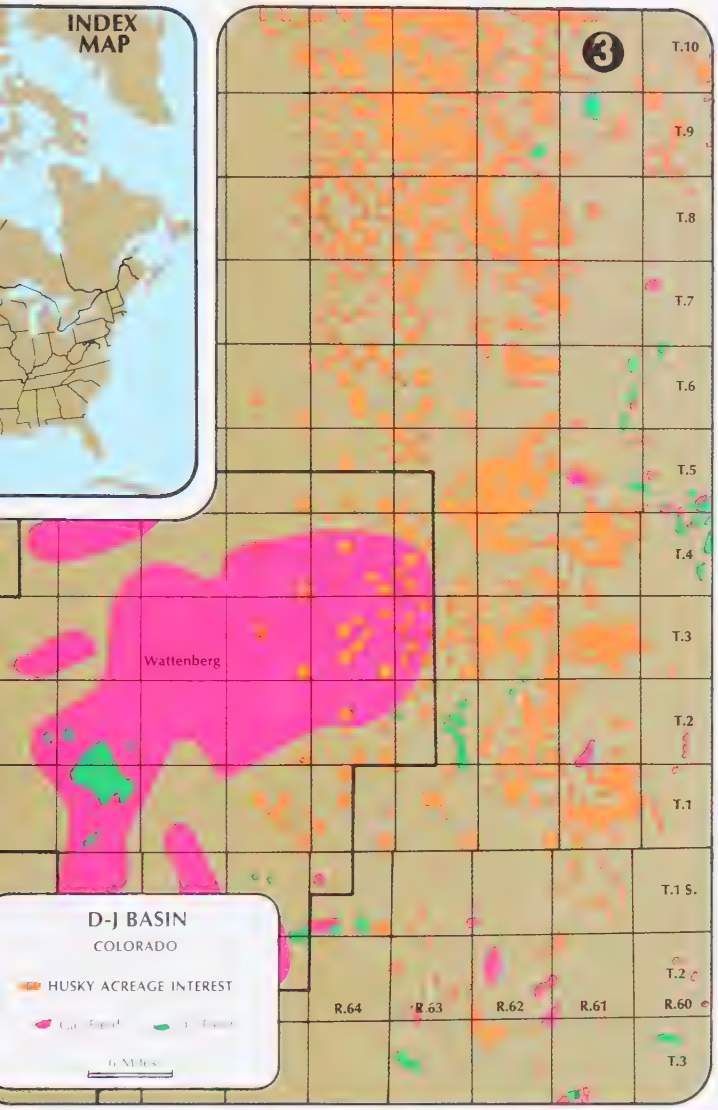
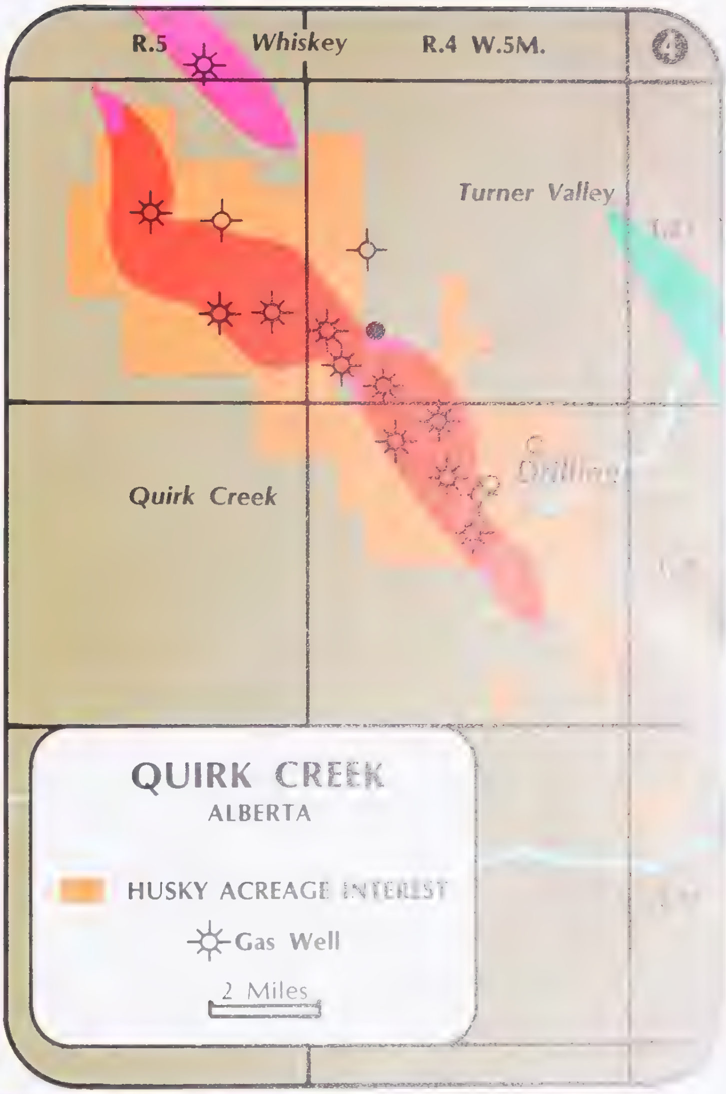
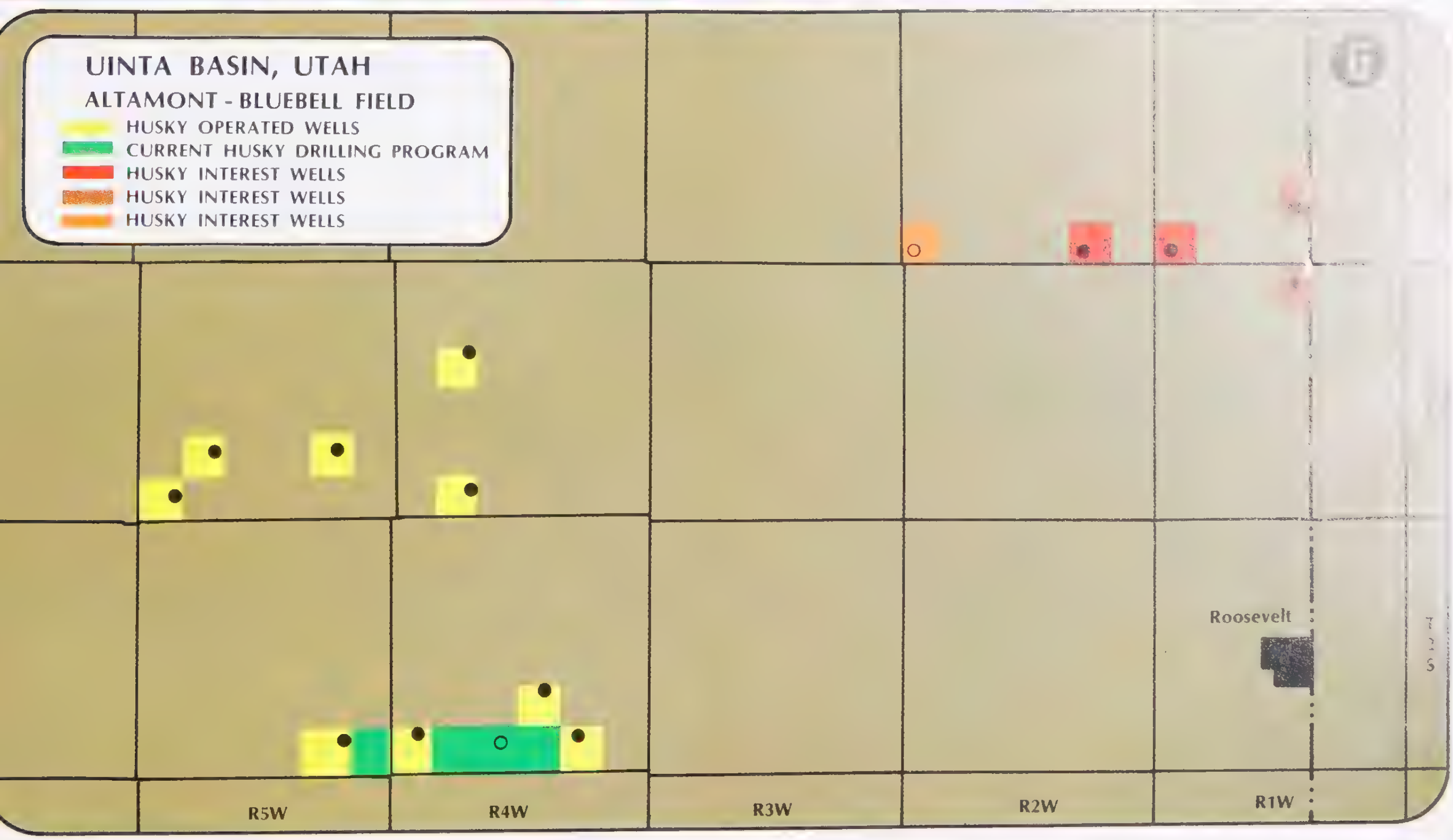
N. KITSCOTY
DURNESS
N. LLOYDMINSTER
CELTIC
TANGLEFLAGS
T.51
VERMILION
N. BLACKFOOT
KITSCOTY
STAPLEHURST
TILL
Lloydminster
N. ABERFELDY
LANDROSE
McLAREN
T.50
STANDARD HILL
BLACKFOOT
BIG GULLY
SIX MILE
DEVONIA LK.
LOW LK.
GULLY LK.
LLOYDMINSTER
T.49
ABERFELDY
DEE VALLEY
LASHBURN
SILVERDALE
DULWICH
LASHBURN-GOLDEN LK.
T.48
WASECA
GOLDEN LAKE
Husky Pipeline
GILT EDGE
N. EPPING
W. EPPING
LONE ROCK
T.47
EPPING
S. EPPING
Alberta
Saskatchewan
Murphy Pipeline
WAINWRIGHT
MARSDEN
DINA
LLOYDMINSTER
ALBERTA - SASKATCHEWAN
PRODUCTIVE AREAS • As of Dec. 31, 1963
ADDITIONS • As of Dec. 31, 1973
6 Miles
R.7
W.4M.
R.5
R.4
R.3
R.2
R.1
R.28
R.27 W.3M.
R.26
R.25
R.24
R.23
R.22
R.21


INDEX MAP
3
T.10
T.9
T.8
T.7
T.6
T.5
T.4
T.3
T.2
T.1
T.1 S.
T.2
T.3
Wattenberg
R.64
R.63
R.62
R.61
R.60
D-J BASIN
COLORADO
HUSKY ACREAGE INTEREST


R.5
Whiskey
R.4 W.5M.
4
Turner Valley
Quirk Creek
QUIRK CREEK
ALBERTA
HUSKY ACREAGE INTEREST
Gas Well
2 Miles


UINTA BASIN, UTAH
ALTAMONT - BLUEBELL FIELD
HUSKY OPERATED WELLS
CURRENT HUSKY DRILLING PROGRAM
HUSKY INTEREST WELLS
HUSKY INTEREST WELLS
HUSKY INTEREST WELLS
Roosevelt
R5W
R4W
R3W
R2W
R1W

SUBSIDIARIES

Gate City Steel is a wholly-owned subsidiary of Husky, engaged in warehousing, distribution and processing of steel. Anticipating exceptionally strong demand for steel products and services, the company was able to achieve record sales and earnings in 1973. At $46.2 million compared to $31.9 million for 1972, sales increased forty-five per cent. Pre-tax earnings were $5 million, up from $2.3 million a year ago.

Gate City Steel

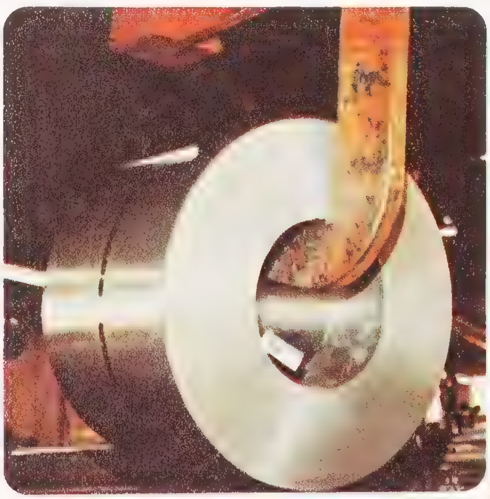
Operation of plants at capacity and the addition of new material handling equipment, together with generally expanded steel processing capability contributed to the financial advances.

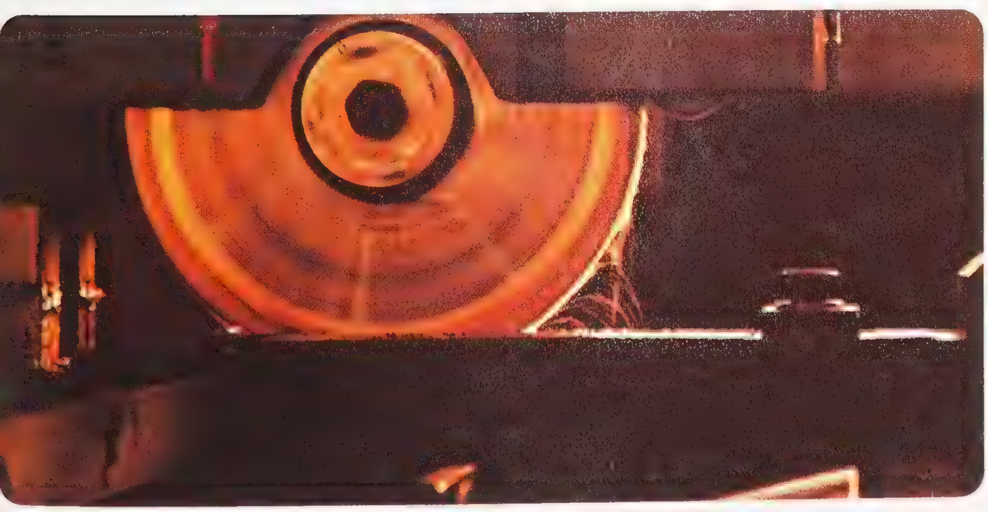
Consistent with company policy of continued growth and market expansion, the recent acquisition of Patterson Steel in Tulsa, Oklahoma, brings to eleven the total number of steel service centers the company operates in a service area from Chicago, Illinois, to Boise, Idaho, south to Albuquerque, New Mexico and Tulsa, Oklahoma.

Although product delivery by the entire steel service center industry increased over previous historic highs by 20 per cent, demand remains strong and presently exceeds available supply.

The Service Center Industry consequently expects sustained strong demand for its products and services in 1974. The main limiting factor affecting growth of Gate City will be availability of steel from mill sources.

GATE CITY STEEL
THE GOOD SERVICE PEOPLE





Husky Industries

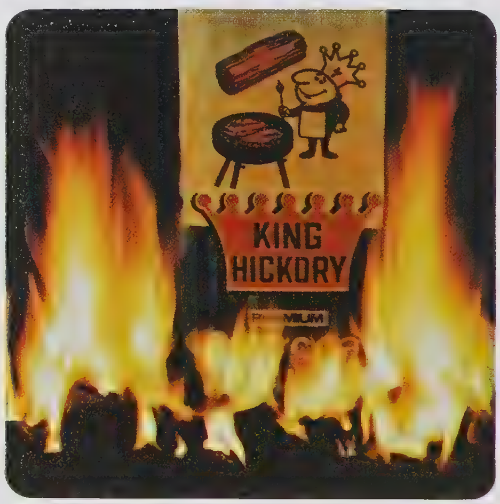
After a 14 per cent increase in 1972, Husky Industries' cash operating income declined 67 per cent in 1973 and the wholly-owned subsidiary sustained an operating loss for the year.

Husky Industries manufactures a number of brands of charcoal barbecue briquets — including a self-fueled, quick lighting variety — and some industrial carbon. The company's market is supplied by six briquetting plants and one carbon plant.

During 1973, customer demand fell sharply in the briquetting industry generally because of consumer resistance to rising meat prices. In addition, large segments of Husky Industries' market areas experienced inclement and unseasonably cold weather periods in late spring and mid-summer months.

Reduced plant production tonnage due to decreased demand, together with a strike at the Dickinson, North Dakota facility, adversely affected product costs.

A reorganization, subsequent to year-end, has led to a revamping of marketing programs and the implementation of strict cost controls aimed at reducing overhead, selling and administrative expenses.



HUSKY INDUSTRIES

Sales and operating revenues, cash flow and net earnings all set records for Husky in 1973 for the third consecutive year. Net earnings increased to $21.4 million from $15.3 million in 1972, after providing for cash and deferred income taxes which increased substantially to $5.2 million from $0.7 million last year. Earnings per share were $2.17, an increase of 41 per cent from the $1.54 earned in 1972 and represent an historical high for the company. Cash flow from operations in 1973 was $49.2 million, or $5.07 per share compared with $3.48 per share in 1972, up 46 per cent. Sales revenues increased to $252.6 million, an improvement of 24 per cent over 1972. Net profit comparisons include the extraordinary items which added an aggregate of $2.6 million, or 27 cents per share, to the 1972 earnings.

Higher volumes and prices for crude oil and natural gas production and for refined products, together with new highs for revenues and profits from steel operations were the major contributors to the increase in revenues and profits. All operating areas of the company reported improvement over last year except for Husky Industries where unusual conditions in 1973, together with provisions for write-offs of approximately $1 million, resulted in a loss in 1973.

For the first time, Husky has become taxable in Canada and the 1973 provision includes $0.9 million in cash income taxes and $3.3 million in deferred income taxes relating to Canadian operations. The total provision for Canadian and U.S. income taxes represents 19.6 per cent of reported net earnings which conforms closely to the estimated effective rate of 20 per cent, which we reported to our shareholders last August.

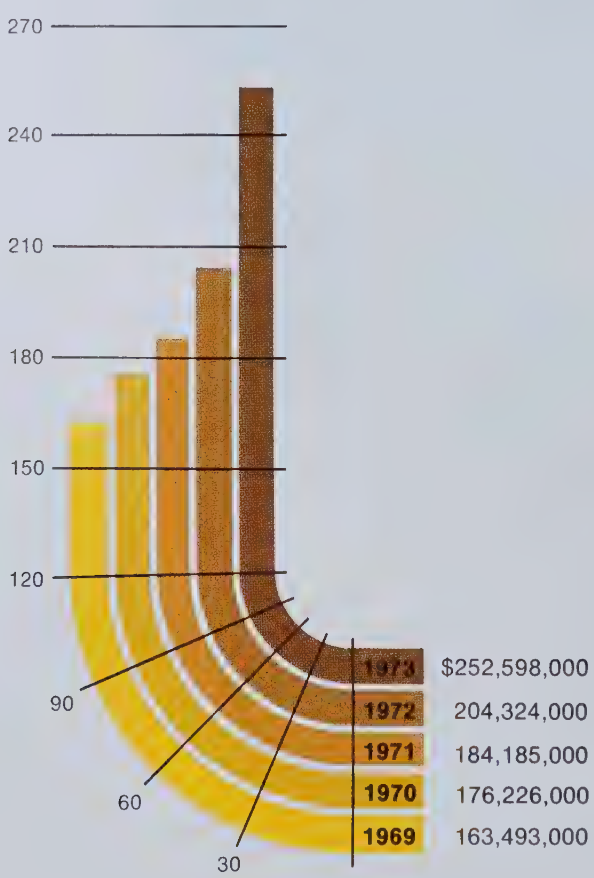
A comparative analysis by lines of business for 1973 and 1972 of sales and gross revenues and of income before income taxes and extraordinary items is set out in the accompanying table.

The principal reason for the profit increase of 7.0 per cent in the Petroleum Area was the significant (42 per cent) improvement in departmental cash income from production and pipeline operations. The decline shown in the line of business "Steel Warehousing, Processing and other" reflects the unsatisfactory performance of carbon operations for the year.

Financial

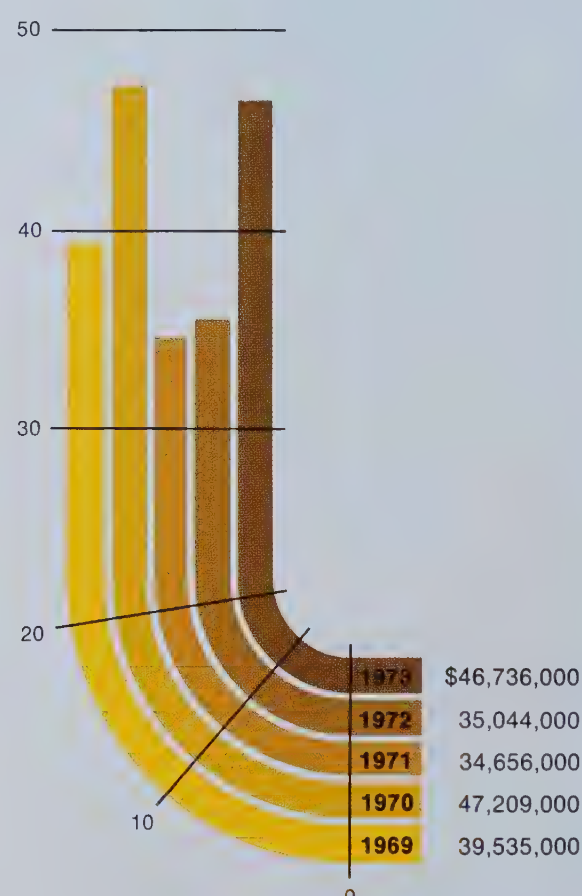
GROSS OPERATING REVENUES

MILLIONS OF DOLLARS



GROWTH EXPENDITURES

MILLIONS OF DOLLARS



Lines of Business	1973% Sales	1973% Income	1972% Sales	1972% Income	Increase (Decrease) Sales	Increase (Decrease) Income
Petroleum production, refining and marketing	75.9	89.1	76.7	82.1	(0.8)	7.0
Steel warehousing, processing and other	24.1	10.9	23.3	17.9	0.8	(7.0)
Total	100.0	100.0	100.0	100.0		

GROWTH EXPENDITURES

	THOUSANDS OF DOLLARS 1973	1972
Exploration	$10,679	8,038
Producing properties and pipeline facilities	18,037	9,732
Refining and marketing	12,515	8,485
Steel and other facilities	5,505	1,985
Investments and other acquisitions	—	6,804
	$46,736	35,044

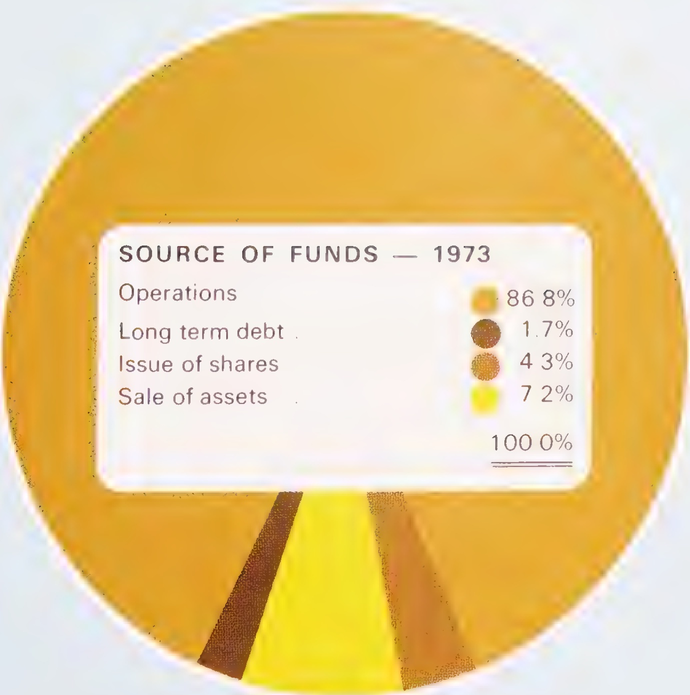
Growth expenditures for 1973 of $46.7 million were $12 million greater than in 1972. Exploration and development expenditures in 1973 together totaled almost $29 million. Of this amount $7.0 million related to continuing activities, largely of a developmental nature, at Lloydminster, and $21.7 million capital applied to other areas, including $1.9 million outside of North America.

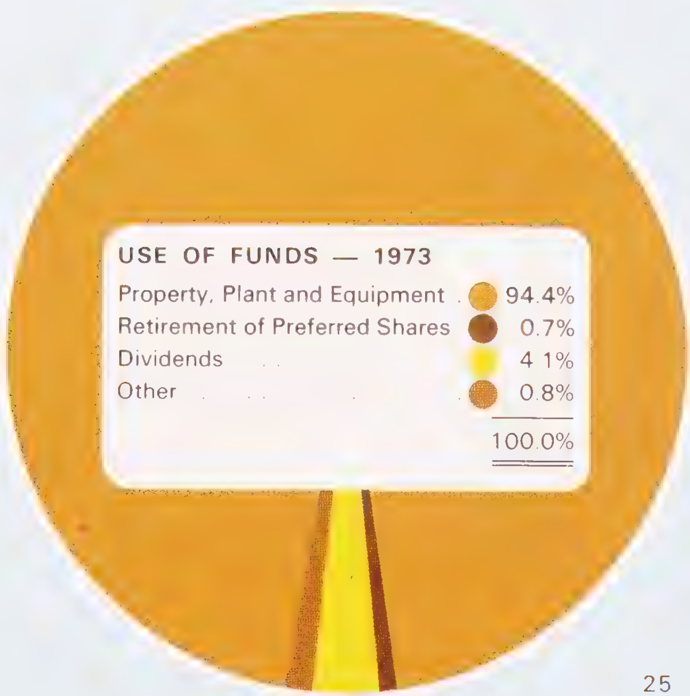
Long term debt at year-end aggregated $102.8 million compared with $101.8 million a year ago. The small increase in long term debt of $1.0 million reflects both the sharp increase in cash flow from operations and the continuing high level of reinvestment of current cash earnings in the future growth of Husky's ability to find, produce, refine and market increasing volumes of crude oil and natural gas. For the second consecutive year cash flow generated from operations exceeds the level of capital expenditures on the facilities required to maintain and to expand our operations in petroleum, steel and carbon products.

Husky continues to spend substantial sums on air and water pollution control and in preparing to meet low and no-lead gasoline requirements.

Historically, the continuous program of investment in assets designed to meet future needs, had until 1972, exceeded Husky's annual cash flow with a resulting return on total assets invested that was low compared to rates of return acceptable in other industries.

This ratio of net earnings from operations, expressed as a per cent return on average total assets invested during each of the last five years, has now improved from a low point of 2.5 per cent in 1970 to 7.1 per cent in 1973. While this rate of return has grown, it cannot yet be considered adequate and ought to be improved in the future.





HUSKY OIL LTD. AND SUBSIDIARIES

Consolidated Statement of Earnings

	Year ended December 31, 1973	1972 (Restated)
Sales and operating revenues	$252,598,000	204,324,000
Deductions		
Cost of sales and operating expenses	173,215,000	143,456,000
Selling, general and administrative expenses	20,606,000	18,107,000
Interest (net of interest income of $592,000 in 1973 and $562,000 in 1972) (note 3)	8,249,000	8,637,000
Miscellaneous — net	1,500,000	621,000
Depreciation and amortization	11,830,000	10,029,000
Depletion (notes 1 and 2)	10,624,000	9,692,000
Minority interest in earnings of subsidiaries	—	309,000
	226,024,000	190,851,000
Earnings before income taxes and extraordinary items	26,574,000	13,473,000
Provision for income taxes (note 5)		
Current	1,914,000	580,000
Deferred	3,300,000	150,000
	5,214,000	730,000
Earnings before extraordinary items	21,360,000	12,743,000
Gain on disposal of interest in Empire State Oil Company	—	3,191,000
Provision for loss on disposal of briquet plant	—	(587,000)
Net earnings (notes 2 and 5)	$ 21,360,000	15,347,000
Earnings per common share (notes 2 and 6)		
Basic		
From operations	$2.17	1.27
Extraordinary items	—	0.27
Total	$2.17	1.54
Fully diluted		
From operations	$1.96	1.20
Extraordinary items	—	0.23
Total	$1.96	1.43

See accompanying notes

Consolidated Statement of Other Paid-in Capital and Retained Earnings

	Year ended December 31,			
	Other Paid-in Capital		Retained Earnings	
	1973	1972 (Restated)	1973	1972 (Restated)
Balance at beginning of year	$70,544,000	70,482,000	52,683,000	36,081,000
Add				
Adjustment to reflect pooling of interests (note 1)				550,000
Restoration of undistributable capital surplus provided for purchase and redemption of preferred shares				2,783,000
Excess of consideration received over par value of common shares issued	2,283,000	1,951,000		
Credit arising from excess of provision in prior years for sinking fund redemption of preferred shares over cost of shares redeemed			84,000	399,000
Net earnings for the year			21,360,000	15,347,000
	72,827,000	72,433,000	74,127,000	55,160,000
Deduct				
Sundry	12,000			
Reduction in value of shares issued to pooling of interests value of Keeter Charcoal Company		1,889,000		
Cash dividends on preferred shares			612,000	644,000
Cash dividends on common shares			1,439,000	1,414,000
Provision for redemption of preferred shares			419,000	419,000
	12,000	1,889,000	2,470,000	2,477,000
Balance at end of year	$72,815,000	70,544,000	71,657,000	52,683,000

See accompanying notes

HUSKY OIL LTD. AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS	December 31, 1973	1972 (Restated)
Current assets		
Cash	$ 6,969,000	4,451,000
Accounts and notes receivable	40,007,000	31,577,000
Inventories at lower of cost or replacement market	37,857,000	29,535,000
Prepaid expenses	465,000	479,000
Total current assets	85,298,000	66,042,000
Non-current assets		
Notes and contracts receivable, less amounts due within one year included in current assets above	2,382,000	2,387,000
Sundry investments and miscellaneous assets — at cost less amounts written off	2,618,000	2,957,000
Unrecovered costs — Santa Barbara project (note 2)	7,207,000	7,207,000
	12,207,000	12,551,000
Property, plant and equipment — at cost (notes 1 and 3)		
Oil and gas properties and equipment	192,771,000	175,958,000
Refining, manufacturing, marketing, transportation facilities and other assets	145,822,000	132,484,000
Accumulated depreciation	(80,062,000)	(70,886,000)
Accumulated depletion	(38,083,000)	(34,489,000)
Unpaid production payments	(4,474,000)	(6,408,000)
	215,974,000	196,659,000
Other assets — at cost less amounts written off		
Debt discount and expense	4,173,000	4,793,000
Trademarks	599,000	599,000
Other intangible assets	1,923,000	1,642,000
	6,695,000	7,034,000
	$320,174,000	282,286,000

LIABILITIES

	December 31, 1973	1972 (Restated)
Current liabilities		
Notes payable to banks	$ 6,347,000	2,280,000
Income taxes payable	1,469,000	971,000
Accounts payable and accrued expenses	34,982,000	26,429,000
Current portion of long term debt	6,141,000	7,130,000
Total current liabilities	48,939,000	36,810,000
Long term debt (note 3)	102,844,000	101,759,000
Deferred income taxes (note 5)	3,450,000	157,000
Shareholders' equity (note 4)		
Cumulative, redeemable, preferred shares par value $50 each; authorized 623,550 shares; issued 199,813 shares; 1972, 207,763 shares	9,991,000	10,388,000
Common shares, par value $1 each; authorized 40,000,000 shares; issued 9,682,825 shares; 1972, 9,547,436 shares (as restated)	9,683,000	9,547,000
Undistributable capital surplus arising from purchase and redemption of preferred shares	795,000	398,000
Other paid-in capital	72,815,000	70,544,000
Retained earnings	71,657,000	52,683,000
	164,941,000	143,560,000
	$320,174,000	282,286,000

Commitments and contingencies (note 8)

Approved on behalf of the Board

James E. Nielson, Director

F. R. Matthews, Director

See accompanying notes

HUSKY OIL LTD. AND SUBSIDIARIES

Consolidated Statement of Changes in Financial Position

	Year ended December 31, 1973	1972 (Restated)
Funds were obtained from		
Net earnings	$21,360,000	15,347,000
Add amounts which were non-cash transactions — net	27,795,000	18,473,000
Net cash income from operations	49,155,000	33,820,000
Increase in long term debt — 1973 net of retirements of $10,424,000; 1972 decrease net of additions of $29,682,000	963,000	(14,716,000)
Sale of interest in Empire State Oil Company	—	25,441,000
Issue of common shares	2,419,000	151,000
Sale of assets	4,096,000	5,039,000
Decrease in non-current notes receivable	5,000	2,239,000
	56,638,000	51,974,000
Funds were used for		
Additions to property, plant and equipment	46,736,000	28,240,000
Acquisition of interests in subsidiary companies	—	6,804,000
Retirement of preferred shares	336,000	1,459,000
Dividends on shares of parent company		
Preferred	612,000	644,000
Common	1,439,000	1,414,000
Other	388,000	513,000
	49,511,000	39,074,000
Increase in working capital	7,127,000	12,900,000
Working capital at beginning of year	29,232,000	16,332,000
Working capital at end of year	$36,359,000	29,232,000

See accompanying notes

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Husky Oil Ltd. and subsidiaries as of December 31, 1973, and the consolidated statements of earnings, other paid-in capital and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to any adjustment which may result from the ultimate outcome of the litigation described in note 2 to the consolidated financial statements, these financial statements present fairly the financial position of the company and subsidiaries as of December 31, 1973, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles, which, except for the change in accounting policy, with which we concur, have been applied on a consistent basis, as restated (note 1).

Peat, Marwick, Mitchell & Co.

Chartered Accountants

Calgary, Alberta
February 26, 1974

Notes to Consolidated Financial Statements

December 31, 1973

(1) Accounting policies:

(i) The consolidated financial statements include the accounts of all subsidiary companies, each of which was wholly owned at December 31, 1973. During 1973, 112,542 common shares were issued in exchange for all the outstanding shares of Keeter Charcoal Company. This transaction has been treated as a pooling of interests and accordingly the 1972 statements have been restated to include the accounts of Keeter Charcoal Company. Previously reported sales and net earnings have been increased by $2,598,000 and $283,000 respectively. The operations of Keeter Charcoal Company for 1973, prior to consummation of the transaction, were not material. The accounts of U.S. subsidiaries are included at $1 U.S. = $1 CDN.

(ii) The companies employ the "full cost" method of accounting whereby costs and expenses of exploring for and developing oil and gas reserves in North America are capitalized and are depleted on composite unit-of-production methods based on proved developed oil and gas reserves as estimated by independent or employee engineers.

Costs and expenses of acquiring oil and gas interests outside of North America and all mining interests have been capitalized pending the outcome of exploration in each area of interest. It is expected that such costs will be depleted by the method set forth above if sufficient reserves are developed. Commencing January 1, 1973, costs prior to reserve development are amortized at the annual rate of 20%, except that unamortized costs are written off on abandonment of an area whereas prior to that date costs of unsuccessful wells, lease and mining claim abandonments and certain exploration expenses were charged to earnings as incurred. The effect of this change in accounting policy on 1973 and 1972 earnings is not significant. Unamortized costs at December 31, 1973 amounted to $2,532,000.

The costs of certain oil and gas properties include interests in limited partnerships and the amounts of retained production payments payable solely from production. As these production payments are property interests and not a direct liability, the balances are deducted from the property, plant and equipment accounts. Production income dedicated to these payments is included in earnings on a gross basis so as to reflect the gross income and all expenses applicable to the properties.

In the case of certain producing lease equipment, depreciation is provided for by the unit-of-production method. Depreciation of substantially all other depreciable assets is provided for by the straight-line method at rates based upon their estimated useful lives.

(iii) The companies' policy is to follow the tax allocation basis of accounting for timing differences between net earnings and taxable income except for those differences related to lease acquisition, drilling and exploration costs.

(2) Unrecovered costs — Santa Barbara project represents the unamortized cost of oil and gas leases off the coast of California acquired in 1968 and which expired in 1973. In February, 1969, the Secretary of the Interior of the United States of America amended the regulations relating to drilling for oil and gas on the outer continental shelf and imposed an unlimited liability, regardless of fault, for damage caused by oil escaping. The Secretary also suspended drilling on these leases. These actions made it economically and practically impossible to continue further exploration. As a result, exploratory operations on the leases were discontinued and several companies including Husky Oil Company of Delaware filed suit against the United States of America requesting repayment of acquisition and exploratory costs incurred or compensation for the value of the leases. The trial has been held and a decision is pending. In the opinion of counsel for the companies, it is impossible to predict the outcome of this litigation at this time. It is contemplated that any costs which are not recovered by the suit will be added to depletable costs. Had total costs been taken into depletable costs in 1973, the provision for depletion for 1973 would have been increased by $883,000 and earnings decreased by a similar amount, equal to $.09 per share.

(3) Long term debt at December 31, 1973 consisted of:

	Husky Oil Ltd. and Canadian Subsidiaries (Cdn. $)	Husky Oil Company of Delaware and Subsidiaries (U.S. $)
Secured		
Sinking fund debentures		
6% Series A, 1984 . . .	$ 12,659,000	
6¾% Series B, 1987 . .	17,550,000	
8½% Series C, 1991 . .	14,325,000	
9¼% term bank production loan payable monthly .	3,501,000	
6¾% Serial First Mortgage Bonds, 1978		2,265,000
5⅝% to 10⅝%, 1974 to 1984		15,884,000
Long term lease obligations		1,644,000
Other	53,000	1,040,000
Unsecured		
6¼% Convertible Subordinated Debentures due 1997 . .		24,203,000
Other	771,000	15,090,000
	48,859,000	60,126,000
Less amounts due in one year	1,215,000	4,926,000
	47,644,000	55,200,000
U.S. Subsidiaries	55,200,000	
	$102,844,000	

Interest on long term debt in 1973 was $7,968,000. Certain properties and other assets having an aggregate cost of approximately $222,677,000 are specifically mortgaged or pledged as collateral for production loans and other secured obligations.

The aggregate maturities of long term debt in each of the five years subsequent to December 31, 1973 are as follows:

1974 — $6,141,000
1975 — 6,971,000
1976 — 5,225,000
1977 — 5,496,000
1978 — 5,337,000

(4) During 1973, 247,931 common shares were issued, of which 27,539 shares were issued for cash of $422,000; 68,000 shares were issued for assets valued at $1,200,000; 39,850 shares were issued on conversion of $797,000 principal amount of convertible debentures and 112,542 shares were issued in a pooling of interest transaction. (See note 1)

As at December 31, preferred shares were issued and outstanding as follows:

	1973	1972
Series A — 6%	52,463	54,563
Series B — 6%	147,350	153,200
	199,813	207,763

The Series A and B preferred shares require annual sinking funds to redeem 2,100 Series A shares at $53.50 per share and 5,850 Series B shares at $52.50 per share.

Common shares have been reserved for issue as follows:

	Shares
Series D stock purchase warrants ..	273,899
Series E stock purchase warrants ..	299,980
Share option plan	35,250
6¼% convertible subordinated debentures	1,210,150
	1,819,279

The Series D stock purchase warrants have an exercise price of $16.50 per share and expire June 30, 1974. The Series E stock purchase warrants have exercise prices escalating from $18.00 to $21.00 per share expiring August 15, 1981. The stock option plan for officers and employees has exercise prices ranging from $6.77 to $12.94 per share and generally expire in the year following termination of employment. In 1973, options were exercised as to 4,470 shares for an aggregate consideration of $41,000. The 6¼% convertible subordinated debentures are convertible at $20.00 per share until 1997.

(5) For income tax purposes (Canada and United States) drilling and certain exploration costs are charged off as incurred. In Canada lease acquisition and geophysical costs are also charged off immediately. Depreciation and depletion deductions claimed for tax purposes differ from the amounts shown in the financial statements. Such deductions have been utilized to reduce the current provision for estimated income taxes in Canada to $900,000 and in the United States to $1,014,000. For 1973 Canadian income tax purposes, tax depreciation is expected to exceed the book provision by approximately $8,800,000, resulting in a provision for deferred income taxes of $3,300,000. If the tax allocation basis had been followed for all timing differences between taxable income and reported earnings in Canada, provisions for deferred income taxes of $8,700,000 would have been required ($4,100,000 in 1972) and the cumulative amount at December 31, 1973 would have been approximately $25,900,000. As at December 31, 1973, the company had accumulated earned depletion deductions of $11,700,000 for Canadian tax purposes.

In 1973, the securities commissions in Canada questioned why the petroleum industry did not provide for tax allocation for drilling, exploration and lease acquisition costs and the industry has undertaken to prepare and submit an alternative to full tax allocation to the commissions by February 1974. The commissions have indicated that unless they are satisfied with the alternative basis for departing from full tax allocation, all companies in the petroleum industry should be prepared to adopt tax allocation accounting effective in 1974 for such costs.

For 1972, a Canadian subsidiary company in its income tax return claimed tax depreciation in excess of the book provision by approximately $400,000, resulting in a provision for deferred taxes of $150,000. Recently the management of the company decided, in view of the economic changes in Canada relating to the petroleum industry to apply for and has received approval to increase the amount of tax depreciation previously claimed in 1972 by approximately $4,400,000. As this decision was recently made by management and after the original 1972 return was filed and accepted by the Department of National Revenue, the provision for Canadian income taxes (deferred) for 1973 is based upon the tax depreciation available in 1973 and the amended tax depreciation for 1972, resulting in a postponement of cash taxes that would otherwise be payable in 1973.

(6) Basic earnings per common share are based on the weighted average number of shares outstanding during the year. Fully diluted earnings per share are computed as if all outstanding options, warrants or conversion privileges were exercised at the beginning of the year.

(7) The company had 12 directors and 17 officers, 3 of whom served in both capacities. The directors' remuneration amounted to $101,000 in 1973 of which $36,000 was paid by Husky Oil Ltd. and $65,000 was paid by Husky Oil Company of Delaware. The officers' remuneration amounted to $824,000 in 1973 and was paid or payable by Husky Oil Operations Ltd., Husky Oil Company of Delaware and Gate City Steel Corporation as to $268,000, $483,000 and $73,000 respectively.

(8) A subsidiary company has entered into an agreement to purchase not less than $23,400,000 of crude oil during the four year period expiring December 31, 1977. The agreement serves as collateral for bank borrowings ($23,400,000) of an intermediary made for the benefit of the seller. The borrowings will be repaid by the seller if it fails to deliver the minimum amount of crude oil required by the agreement; such repayment by the seller being guaranteed by a major United States bank.

The companies are defendants in various lawsuits at December 31, 1973. While it is impossible to estimate the ultimate liability with respect to pending litigation, counsel believes there will be no material adverse effect on the financial position of the companies.

The indebtedness of non-affiliated companies is guaranteed to a maximum of $3,500,000.

Total outstanding long term lease agreements have fixed annual rentals aggregating $5,934,000 without regard to related rental income and include $1,176,000 for royalty free oil and gas rights in the Lloydminster area.

Financial and Operating Summary

FINANCIAL (thousands of dollars, except per share figures)	1973	1972*	1971	1970	1969	1968	1967	1966	1965	1964
Gross operating revenues	$252,598	204,324	184,185	176,226	163,493	153,663	90,197	66,943	53,237	50,524
Equity in earnings of Empire State Oil Company	—	—	1,494	758	—	—	—	—	—	—
	252,598	204,324	185,679	176,984	163,493	153,663	90,197	66,943	53,237	50,524
Costs and operating, selling and general expenses	193,821	161,563	146,683	143,770	131,674	123,110	67,401	47,463	37,544	38,416
Interest (net of interest income)	8,249	8,637	9,887	9,261	8,264	6,981	4,486	3,068	2,101	1,479
Miscellaneous — net	1,500	621	(663)	702	(558)	(262)	(55)	(100)	320	201
Depreciation, depletion and amortization	22,454	19,721	18,239	15,490	15,493	14,758	10,148	9,319	7,318	6,100
Minority interest in earnings of subsidiaries	—	309	546	644	755	780	617	680	852	809
	226,024	190,851	174,692	169,867	155,628	145,367	82,597	60,430	48,135	47,005
Earnings before income taxes and extraordinary items	26,574	13,473	10,987	7,117	7,865	8,296	7,600	6,513	5,102	3,519
Provision for income taxes										
Current	1,914	580	72	143	—	—	—	—	—	—
Deferred	3,300	150	—	—	—	—	—	—	—	—
	5,214	730	72	143	—	—	—	—	—	—
Earnings before extraordinary items	21,360	12,743	10,915	6,974	7,865	8,296	7,600	6,513	5,102	3,519
Extraordinary items — net	—	2,604	—	(1,711)	—	2,123	708	—	—	—
Net earnings	$ 21,360	15,347	10,915	5,263	7,865	10,419	8,308	6,513	5,102	3,519
Cash flow from operations	$ 49,155	33,820	29,282	23,288	24,244	24,165	18,672	16,203	12,900	10,027
Growth expenditures	46,736	35,044	34,656	47,209	39,535	36,103	39,811	31,649	21,516	24,213
Working capital	36,359	29,232	15,999	16,750	15,388	22,901	15,072	18,783	12,094	19,404
Long term debt (including deferred credits)	102,844	101,759	116,017	111,868	104,337	94,669	74,125	52,287	43,830	47,905
Preferred shares outstanding at par value	9,991	10,388	11,826	12,221	12,620	12,392	27,376	27,770	13,171	13,568
Dividends on preferred shares	612	644	665	694	716	740	1,616	1,331	807	514
Dividends per common share	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.15	—	—
Earnings per common share										
From operations	2.17	1.27	1.09	0.67	0.76	0.87	0.90	0.81	0.69	0.48
Extraordinary items — net	—	0.27	—	(0.18)	—	0.24	0.11	—	—	—
Total	$ 2.17	1.54	1.09	0.49	0.76	1.11	1.01	0.81	0.69	0.48
Number of common shares outstanding (in thousands) (weighted average from 1968)	9,579	9,536	9,416	9,411	9,405	8,723	6,644	6,431	6,244	6,208
OPERATING										
Production — Daily Average										
Net crude oil and equivalent gas production — barrels	49,666	46,663	42,874	36,971	35,134	34,299	29,648	25,532	20,181	16,765
Crude oil and gas liquids production — barrels	43,984	41,482	38,345	33,265	31,663	30,742	26,197	22,178	17,463	14,312
Natural gas production — MCF	73,868	76,539	67,271	49,293	46,236	47,571	45,828	44,518	35,173	32,000
Refining and Marketing — Daily Average Barrels										
Crude oil processed	50,828	48,624	50,185	50,044	47,893	45,802	20,248	18,387	16,929	15,789
Refined product sales	58,662	55,330	53,285	56,961	52,730	48,662	21,750	19,323	18,295	18,343

* 1972 figures have been restated to include the operations of Keeter Charcoal Company as explained in Note 1 of Notes to Consolidated Financial Statements.

OFFICERS

GLENN E. NIELSON
Chairman of the Board

JAMES E. NIELSON
President

S. L. CATE
Senior Vice President
Chairman of the Board
Gate City Steel Corporation
and Husky Industries, Inc.

ARNOLD LARSEN
Senior Vice President

R. M. McMANIS
Senior Vice President

G. S. DIBBLE, JR.
Vice President

M. D. ENSIGN
Vice President

D. R. HAGERMAN
Vice President
Treasurer

B. P. R. MAGUIRE
Vice President

J. H. MANNING
Vice President

J. G. McKENZIE
Vice President

R. Y. POGONTCHEFF
Vice President

J. V. SHEFFIELD
Vice President

R. STROTHER
Vice President

M. F. WESTFALL
Vice President

J. M. WILKINSON
Vice President

D. H. FLORA
Secretary
General Counsel

L. E. SAUNDERS
Controller

J. W. RIMMER
President
Gate City Steel

J. P. KEETER
President
Husky Industries, Inc.

DIRECTORS

GLENN E. NIELSON
Cody, Wyoming
Chairman of the Board
Husky Oil Ltd.

JAMES E. NIELSON
Cody, Wyoming
President
Husky Oil Ltd.

J. WADDY BULLION
Dallas, Texas
Partner, Law firm of
Thompson Knight
Simmons and Bullion

GEORGE S. ECCLES
Salt Lake City, Utah
President and a Director
of First Security
Corporation and Chairman
of First Security Bank
of Utah

PAUL L. KARTZKE
Rancho Santa Fe, Calif.
Petroleum Consultant

DAVID M. KENNEDY
Chicago, Illinois
International Banking
and Finance

ARNOLD LARSEN
Calgary, Alberta
Senior Vice President
Husky Oil Ltd.

J. K. McCAUSLAND
Willowdale, Ontario
Retired Investment Dealer

F. R. MATTHEWS, Q.C.
Calgary, Alberta
Partner, Law firm of
MacKimmie, Matthews

H. H. MILLAR
Edmonton, Alberta
President and a Director
of Western Construction and
Lumber Co. Ltd.

WARD C. PITFIELD
Toronto, Ontario
President and a Director
of Pitfield, MacKay,
Ross & Company, Limited

HUSKY OIL

GENERAL OFFICE
815 Sixth Street S.W.
Calgary, Alberta
T2P 1Y1

UNITED STATES OFFICES
Post Office Box 380
Cody, Wyoming
82414

4040 East Louisiana Ave.
Denver, Colorado
80222

5100 Westheimer Road
Houston, Texas
77027

OVERSEAS
Manila, Luzon
Philippines

REFINERIES
Cheyenne, Wyoming
Cody, Wyoming
Lloydminster, Alberta
Salt Lake City, Utah

DIVISION MARKETING OFFICES

SOUTHERN REGION
Denver, Colorado
Billings, Montana
Salt Lake City, Utah

NORTHERN REGION
Calgary, Alberta
Winnipeg, Manitoba
Spokane, Washington

HUSKY INDUSTRIES, INC.
62 Perimeter Center East
Atlanta, Georgia
30346

SALES OFFICES:
Minneapolis, Minnesota
Ocala, Florida
Scotia, New York

PLANT LOCATIONS:
Branson, Missouri
Dickinson, North Dakota
Isanti, Minnesota
Jacksonville, Florida
Ocala, Florida
Romeo, Florida
Stamford, New York

GATE CITY STEEL CORPORATION
P. O. Box 14022
Omaha, Nebraska
68114

DISTRICT OFFICES:
Albuquerque, New Mexico
Boise, Idaho
Chicago, Illinois
Davenport, Iowa
Denver, Colorado
Idaho Falls, Idaho
Omaha, Nebraska
Pocatello, Idaho
Salt Lake City, Utah
Sterling, Illinois
Tulsa, Oklahoma

TRANSFER AGENTS AND REGISTRARS

COMMON SHARES:
Montreal Trust Company
Offices at Calgary, Halifax, Montreal, Regina, Saint John, Toronto, Vancouver and Winnipeg

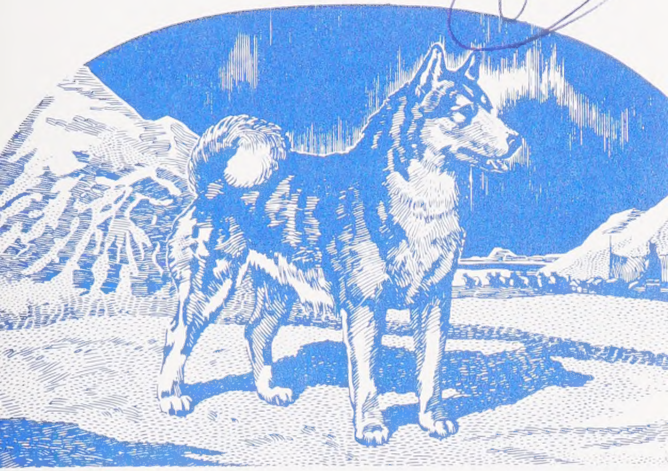
The Chase Manhattan Bank
New York City

PREFERRED SHARES:
Montreal Trust Company
At above offices

AUDITORS
Peat, Marwick, Mitchell & Co.
Calgary, Alberta

HUSKY OIL

Annual Report 1973



HUSKY OIL
Ltd.

Quarterly Report
To Shareholders

Six Months Ended

June 30, 1973

815 Sixth Street S.W., Calgary, Alberta
T2P 1Y1

HUSKY

TO THE SHAREHOLDERS:

Husky's record net earnings from operations for the six months ended June 30 were $7,696,000 or 77 cents per share, up from $4,274,000 or 41 cents per share, restated for the first six months last year. 1973 earnings figures are after provision of $1.8 million for income taxes. Sales and operating revenues also reached a record high at $111,280,000 versus $92,029,000 for the corresponding period in 1972, while cash flow from operations improved to $19,513,000 from $14,215,000 last year.

The net earnings comparisons do not take into account an extraordinary credit, realized in 1972, of $3.2 million from Husky's sale of its interest in Empire State Oil Company.

Income and earnings improvements are mainly attributable to higher prices for crude oil, improvements in both production and marketing volumes and increased sales and profits of steel operations.

The provision of $1.8 million for income taxes for the first half of 1973 reflects the sharp increase in production income generated in Canada and the expected exhaustion this year of the carry-over of tax deductions arising from intangible exploration costs incurred in prior years. In accordance with an opinion on accounting principles, applicable to interim financial reporting and released in the second quarter, the estimated effective tax rate for the full year is to be applied to all reported earnings. This rate is now estimated to be approximately 20 per cent.

Production of crude oil and equivalent natural gas averaged 48,200 barrels a day, an improvement of 3,400 barrels a day, or eight per cent over the first half of 1972.

After three separate Western Canadian crude oil price increases totalling 55 cents per barrel between November, 1972 and May, 1973, a fourth price increase of 40 cents per barrel

HUSKY O
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FINANCIAL AND OPE

For the Six Months E
(with comparative

FINANCIAL

Income
Sales and operating revenues . . . . . .

Deductions
Cost of sales and operating expenses . . .
Selling, general and administrative expenses
Interest (net of interest income of $265,000 in 1973 and $292,000 in 1972) . . . . .
Miscellaneous — net . . . .
Depreciation and amortization . . . . . .
Depletion . . . .
Minority interest in earnings of subsidiaries .

Net earnings before income taxes . . . . .
Provision for income taxes — note (2) . . . .

Net earnings before extraordinary item . . .
Gain on disposal of interest in Empire State Oil Company . . . .

Net earnings . . . .

OPERATING (Daily Averages)

Crude oil and equivalent gas production — bbls. . . . .
Crude oil and gas liquids — bbls. . . . .
Natural gas — mcf . . . .
Refining throughput — bbls. . . . .
Refined product sales — bbls. . . . . . .

Notes:

(1) Figures are unaudited and accounts of U.S. subsidiaries
(2) Includes $930,000 of deferred income taxes in 1973.
(3) During the first quarter, Husky acquired all of the out pooling of interest basis. Figures for 1972 have been reported net earnings have been increased by $245,00
(4) Basic and fully diluted earnings per share based on S

From operations
Extraordinary item
Total

L LTD.
diaries

RATING SUMMARY

ded June 30, 1973
gures for 1972)

1973	1972 (Restated)	Increase (Decrease) %
$111,280,000	$92,029,000	21
76,837,000	64,300,000	20
9,949,000	8,749,000	14
4,052,000	4,454,000	(9)
381,000	86,000	—
5,207,000	5,088,000	2
5,358,000	4,549,000	18
—	210,000	—
101,784,000	87,436,000	16
9,496,000	4,593,000	—
1,800,000	319,000	—
7,696,000	4,274,000	80
—	3,200,000	—
$ 7,696,000	$ 7,474,000	3
48,196	44,784	8
42,834	39,272	9
79,114	81,462	(3)
47,332	46,879	1
50,946	44,612	14

re included at $1 U.S. = $1 Canadian.

anding common shares of Keeter Charcoal Company on a
stated to include the operations of Keeter and previously
r 3¢ per share.
on 3500 of the CICA Handbook are:

Basic		Fully Diluted	
973	1972 (Restated)	1973	1972 (Restated)
0.77	0.41	0.72	0.41
—	0.34	—	0.29
0.77	0.75	0.72	0.70

was announced August 1 this year. An aggregate price increase of 95 cents per barrel, therefore, has become effective on Canadian crude in the course of the past ten months. Over the same period crude oil price increases of 30 cents per barrel to 65 cents per barrel have occurred in the United States.

A price increase of nine cents per thousand cubic feet, representing an improvement of more than 50 per cent, will apply to almost half of Husky's Canadian natural gas production by an effective date of November 1, 1973, as a result of contract renegotiations completed earlier this year.

Refining throughput for the six months at 47,300 barrels per day was slightly up from 46,900 barrels per day last year. For the first half of 1973 the volume of light oil sales was six per cent higher than the comparable period in 1972 and heavy oil sales were up 16 per cent.

A $5.5 million modernization and expansion program at the Salt Lake refinery which will increase throughput capacity to 22,000 barrels a day will begin in the third quarter and is scheduled for completion by April 1974.

Although some increases in light oil products, together with a capability of producing low-lead and no-lead gasoline will result from the program, the major refinery volume increase will be the production of a low sulphur, high quality fuel oil. In addition, modifications now underway at the Cheyenne, Wyoming refinery will increase throughput capacity there by 5,000 barrels a day.

In continuing exploration activity in the Quirk Creek area of southern Alberta, a natural gas well has been cased to its total depth at 14,000 feet and a number of zones are being evaluated. A second exploratory well is now drilling in the area at a site located seven miles southeast of the original location.

In the Green River Basin area of Wyoming, the first well of a three well option program is now drilling in the northern sector. The program will proceed on a well-by-well basis, and the drilling of all three wells would earn the company a 70 per cent working interest in approximately 150,000 additional acres in this area of continuing Husky exploration activity.

In the central portion of the Green River Basin, an arrangement has been concluded with another company in which Husky will obtain full evaluation information from a ten well drilling program begun by that company in the second quarter. In widespread locations, three wells will be on Husky acreage and three wells will offset Husky acreage. Husky's contribution to the program is a 50 per cent working interest to the depth drilled in approximately 14,000 acres.

In West German and Dutch waters of the North Sea seismic surveys are complete. Drilling activity, in both the United Kingdom and German sectors, is now expected to begin in 1974.

Husky has filed applications for international permits and concessions and has conducted active negotiations related to other opportunities in international areas during the first half of 1973. Close attention to these and other international developments will continue in the third and fourth quarters.

Sincerely,

James E. Nielson

James E. Nielson, President

August 13, 1973

HUSKY OIL LTD.
and Subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the Six Months Ended June 30, 1973
(with comparative figures for 1972)

	1973	1972 (Restated)
Funds were obtained from:		
Net earnings	$ 7,696,000	$ 7,474,000
Add: Amounts which were non-cash transactions — net	11,817,000	6,741,000
Net cash income from operations	19,513,000	14,215,000
Sale of interest in Empire State Oil Company	—	25,450,000
Issue of common shares	55,000	9,000
Sale of assets	1,118,000	1,689,000
Increase (decrease) in long term debt — net of retirements of $4,708,000 in 1973 and $33,721,000 in 1972	1,831,000	(6,244,000)
	22,517,000	35,119,000
Funds were used for:		
Additions to property, plant and equipment	18,071,000	13,325,000
Acquisition of interest in a subsidiary company	—	5,090,000
Retirement of preferred shares	419,000	1,339,000
Dividends on shares of parent company		
Preferred	309,000	328,000
Common	716,000	707,000
Dividends to minority shareholders	—	84,000
Increase (decrease) in non-current notes receivable	64,000	(733,000)
Other	459,000	75,000
	20,038,000	20,215,000
Increase in working capital	2,479,000	14,904,000
Working capital at beginning of period	29,232,000	16,332,000
Working capital at end of period	$31,711,000	$31,236,000

See footnotes to the Financial and Operating Summary

ALCRAFT • CALGARY
LITHOGRAPHED IN CANADA